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NEWS SUMMARY

GENERAL

British Lions tour is on

The British Lions rugby tour of South Africa will go ahead in 1980 in spite of protests from sporting and political bodies.

The Committee of the Four Home Unions—rugby's governing body—defied a plea from Sports Minister Hector Monro and backed decisions by England, Scotland, Wales and Ireland to support the tour. Plans for the trip began immediately.

The decision brought jubilation to the South African Rugby Board, but protests from Mr. Monro and sporting bodies. The Minister said the decision would bring "a great deal of unhappiness in international sport."

British Olympic Association chairman Sir Dennis Follows said: "this is almost certainly the death-knell of the Brisbane Commonwealth Games in 1982." Anti-apartheid campaigner Peter Hain said the Stop All Racist Tours Committee would try to get unions to black the Lions' flight to South Africa.

Britons seized

Two British subjects were kidnapped by Left-wing guerrillas from their ranch in northern Columbia. Military authorities said a large ransom was being demanded for the return of Telery Jones, 43, wife of the ranch's American owner, and their 16-year-old son Owen.

Adams released

Provisional Sinn Fein vice-president Gerry Adams, held in a Belfast detention centre since last Wednesday, was released without charges being made. At a constitutional conference beginning today, the Government will make another attempt to find a political solution to the Ulster problem. Page 4

NCB suspension

A senior National Coal Board project manager has been suspended on full pay while police investigate allegations of possible payments by companies to officials in return for sub-contracts. The suspended manager works at the Board's London headquarters.

Adamson 'murder'

Kenyan police are working on a theory that naturalist and author Joy Adamson may have been murdered and not killed by a lion, according to a Nairobi newspaper report. Police declined to comment.

Gower's 98

An unbeaten 98 by David Gower helped England to make 237 in their second innings at the end of the third day of the Second Test at Sydney. Australia, set to score 216 to win, were 25 without loss at close of play. Page 21

EEC talks

Sir Ian Gilmour, Lord Privy Seal, will begin talks in Rome today with Sig. Francesco Cossiga, Italian Prime Minister and European Community President, in an effort to find a solution to the dispute over Britain's contribution to the EEC Budget. Italian officials are relatively optimistic about a settlement. Back Page

Briefly . . .

French authorities disclosed that 70-year-old journalist Pierre-Charles Pathé, son of the founder of Pathé News, had been held since July on spying charges.

Gunman killed the regional president of Sicily, Santi Mattarella, as he sat in a car outside his home.

Cotroversial player Ilie Nastase has been fined $5,000 by World Championship Tennis for "conduct detrimental to the sport of professional tennis." Page 13

BUSINESS

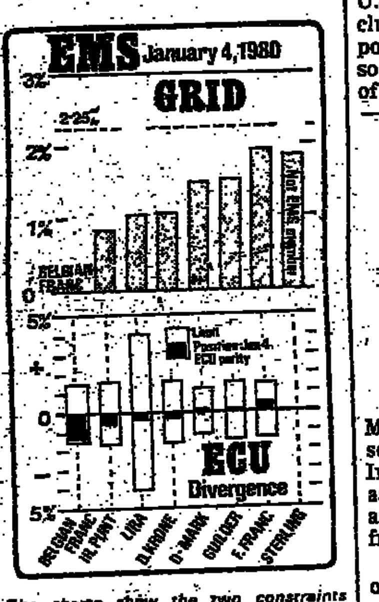
NEDC call to companies on jobs

● MRS. THATCHER will join with CBI and TUC leaders at the National Economic Development Council meeting on Wednesday to urge companies to take the lead in applying technological developments to increase productivity and create new jobs. Back Page; Protection for "core" industries, Page 3

● D-MARK rose sharply in the foreign exchange market last week, touching a record level against the dollar on Thursday. This was mainly a reflection of the U.S. currency's weakness following the sharp rise in the value of gold after the Soviet invasion of Afghanistan.

Demand for precious metals and the stronger European currencies pushed the D-Mark near to the top of the European Monetary System on Thursday after a steady appreciation during the week. On Friday the German unit eased slightly to be replaced by the Dutch guilder as the second strongest EMS member.

Last summer the D-mark also rose within the EMS to become the second strongest currency, and was revalued in September against all other members. Other EMS currencies showed little change last week



The charts show the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● HIGHER energy prices are expected to stimulate a significant increase in North Sea oil and gas exploration work this year, but a drilling rigs shortage may hinder work. Back and Page 2

● CENTRAL bankers meeting in Basle today are expected to discuss possible concerted gold sales to cool speculative bullion fever although a majority in the group oppose such sales. Back Page and Lombard, Page 12

● A BITTER row has broken out between top executives of C. T. Bowring, the British insurance broker with large Lloyd's of London interests, and Marsh and McLennan Companies of the U.S., the world's largest insurance broker which is considering making a bid for Bowring. Back Page

● F.T. SURVEY of Business Opinion sees weakening business confidence in the UK with depressed order levels and accelerating inflation. Back and Page 19; Editorial comment Page 14

● HOPES of a significant reduction in short-term interest rates depend on the Government's willingness to take measures to limit public sector borrowing to about £9bn, say stockbrokers Phillips and Drew. Page 3

● PRUDENTIAL Assurance is to raise its motor insurance rates by an average 9 per cent from February 1. Page 3

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Further U.S. response to Afghan invasion likely

Grain exporters to discuss enforcing anti-Soviet sanction

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

The U.S. has convened a meeting in Washington on Friday of representatives from the major grain exporting countries and the EEC. The move is to ensure that the Soviet Union will not be able to buy grain elsewhere to compensate for President Carter's sanction in retaliation for its invasion of Afghanistan.

In addition, the U.S. government made it clear over the weekend that the package of measures announced by the President in his televised address to the nation on Friday night was not necessarily the final word on the response of the U.S., and its allies, should Soviet aggression persist.

Mr. Warren Christopher, Deputy Secretary of State, who conferred with European governments last week, said in a television interview yesterday that in addition to ensuring an internationally effective grains sanction against the USSR, the U.S. also expected its allies:

● To terminate existing aid programmes to Afghanistan; Canada announced on Saturday that its aid programme, albeit small, was being suspended.

● To cut diplomatic representation in Kabul and perhaps to order a reduction in embassy staffs in Moscow and Washington, if the U.S. does so.

● To take action parallel to the U.S. in the economic field, including the withholding of export credits to the Soviet Union so that it cannot switch sources of imports.

The partial grains embargo, whereby the U.S. will hold back 17m tonnes already bought by the Soviet Union while allowing it to import 8m tonnes previously contracted for—is much the most controversial measure in domestic political terms.

In a debate featuring six Republican candidates for the presidency in the farm state of Iowa on Saturday night, all except Congressman John Anderson, the liberal outsider from Illinois, argued that it was wrong to hit the American farmer in this manner.

The two Democratic rivals to the President, Senator Edward Kennedy and Governor Jerry Brown, issued similar statements.

The President is doing his best to alleviate domestic damage. Mr. Christopher, for example, revealed that today the administration will propose a major new gasohol programme, converting 5m tonnes of maize into fuel this year.

On Saturday, Mr. Bob Bergland, Agriculture Secretary, promised "to take every action, under every authority we have." to minimise any loss in farm income.

John Edwards, Commodities Editor, writes: The U.S. is the only country capable of supplying the large amount of grain—especially maize—required to feed the growing Soviet livestock herd.

Out of the 32m tonnes of grain, which it is estimated the Soviet Union will need to import this season to make up for its bad 1979 harvest, some 25m tonnes was supposed to come from the U.S. This would have comprised between 6-8m tonnes of wheat and 18-20m tonnes of feed grains (mainly maize).

The U.S. supplies around 38m tonnes of wheat out of total world trade of 77m tonnes and is even more dominant in feed grains, where it supplies some 70 per cent of total trade of 100m tonnes.

The U.S. had record grain harvests in 1979 and prices would have been much lower if the Soviet Union had not contracted to buy such large quantities. It is likely that prices will now fall sharply

Other developments, Page 2
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Chinese may get help for defence

By Our Own Correspondent

THE U.S. may be prepared to supply China with some defence-related equipment, according to an official accompanying Mr. Harold Brown, the U.S. Defence Secretary, who yesterday began a one-week official visit to China.

The U.S. official did not specify items of equipment which may be supplied, but said further details were expected to be made available later this week. He said the transfer of certain categories of communications equipment, for example, would not infringe the U.S. embargo on arms sales to China.

Mr. Brown has called for wider co-operation on security matters with China, including more exchanges between the two defence establishments.

In an address to a banquet in his honour given by Xu Xiangqian, the Chinese Minister for Defence, Mr. Brown said increased co-operation could be an important element in "the maintenance of global tranquility."

The Defence Secretary strongly criticised recent Soviet actions, accusing Moscow of exacerbating local tensions and seeking to exploit them for its own strategic benefit.

The Defence Secretary will discuss the Soviet thrust into Afghanistan, the war in Indo-China and other regional developments with Chinese leaders, including Mr. Xu and Vice-Premier Deng Xiaoping.

The growing community of interest between Peking and Washington in the face of Soviet action in Afghanistan and elsewhere appears to bury a previously declared U.S. policy of even-handedness towards both China and the Soviet Union.

Deng Xiaoping has strongly condmened the Soviet invasion of Afghanistan. Speaking at a banquet for Mohamed Hosni Mobarak, the visiting Egyptian Vice-President, Mr. Deng said Moscow's crude interference in Afghanistan posed a threat to world peace.

The Vice-Premier pledged that "the Chinese government and people will work together with the Afghan people to frustrate Soviet acts of aggression and expansionism."

● In the second day of the United Nations Security Council debate on Afghanistan, the U.S. called for the immediate removal of the 50,000 Soviet troops.

Massive swing restores Mrs Gandhi to power

BY DAVID HOUSEGO IN NEW DELHI

MRS. INDIRA GANDHI seemed set last night to return as India's next Prime Minister in as dramatic an electoral victory as the reversal that swept her from power three years ago.

The massive swing in favour of her Congress (I) party seemed to extend across the country, stretching from the Punjab to Haryana in the north to the coastal states of Gujarat and Orissa, and Karnataka in the south.

There was no doubt that she would have an overall majority in the parliament and some possibility that—against all expectations—she could even achieve a two-thirds majority, enabling her to carry through constitutional amendments single-handedly.

The strength of her comeback reflects both disenchantment with the two-and-half-years of indecisive rule by the coalition Janata Government and the desire for strong leadership in a country fearful of sharply-rising prices, growing violence and squabbling among its politicians.

Mrs. Gandhi will undoubtedly take her victory as a vindication of the 1975-77 emergency under which she ruled virtually with total power. The judicial charges against both her and her son Sanjay, who is also expected to win a seat in Parliament, are expected to be dropped.

As the enormity of her victory became clear, only small crowds gathered around her house and on the streets of Delhi, in sharp contrast to the jubilation of 1977. He success has happened against a background of public apathy and what will probably emerge as the lowest turn-out in any general election since 1957.

Even before the counting of votes began, Mrs. Gandhi was considering appointments to her administration. A key voice in policy making will now rest with Sanjay, who is likely to have a strong body of supporters in the parliament loyal to him and thus providing him with his own power base.

Mrs. Gandhi declined to make any statement last night but the Congress Party said the results showed that the people of India were "unequivocal in condemning the persistent persecution of Mrs. Gandhi and that of her family."

More steel strike talks today

BY ALAN PIKE, LABOUR CORRESPONDENT

TRADE UNION leaders meet the British Steel Corporation Board this morning but have to bridge some wide and difficult gaps if there is to be an early end to the national steel strike.

Today's meeting is not a negotiating session. A meeting with the full board was requested by the union side after eight hours' talks with BSC negotiators failed to produce a solution on Friday. The most that can be hoped from today—and it is far from certain that it will be achieved—is that it will provide enough common ground to keep the two sides talking.

Mr. Bill Sirs, general secretary of the Iron and Steel Trades Confederation, said yesterday that the difference between Friday's meeting and today's was that the unions would be putting their arguments to different people.

"The BSC negotiators have been hiding behind the board. If we are rejected by the full board then we are in for a long, long haul—but the board will be very foolish if it does not take the opportunity to get back into negotiations."

BSC's pay offer consists of national and local elements and the two sides are acutely divided over both.

At Friday's talks the corporation offered to increase the value of its national-level package from 6 to 8 per cent. But most of this has to be self-financing

The two sides are, if anything, even further apart on their approach to local productivity deals, where BSC has said 10 per cent or more may be available on top of any national deal.

If today's initiative fails—and with the unions keen to push the national element of any settlement well into double figures prospects cannot be considered good—BSC is likely to step up its efforts to sell the idea of local productivity schemes to the strikers.

Tories challenge union immunity

BY RICHARD EVANS, LOBBY EDITOR

THE PRIME MINISTER confirmed yesterday that the Government intends to change the law that gives trade unions freedom to break commercial contracts when taking industrial action against employers.

Although the method and timing of changing the law on immunities have yet to be decided, the news that the Government plans to continue to redress the balance between trade unions and employers will do nothing to improve the relations between union leaders and the Government.

Labour politicians are certain to accuse Mrs. Margaret Thatcher of conducting a vendetta against the trade unions, and confirmation of the Government's future plans will consolidate opposition to Mr. James Prior's Employment Bill, now before Parliament.

There remains the possibility that amendments altering trade union immunities will be introduced during the Bill's committee stage in the next few weeks, but it is more likely that separate legislation will have to be introduced next session.

Mrs. Thatcher, in a major interview on Thames Television's Weekend World programme, made clear that lengthy consultations would be needed before a fundamental change in the law could be introduced.

But she emphasised that in spite of admitted difficulties, the Government's objective of rolling back trade union power and influence remained firm.

Equally, she confirmed that Ministers are engaged in a further series of public expenditure cuts for 1980-81 amounting to around £2bn, and that the Cabinet is also studying the question of indexing and the withdrawal of certain social security benefits to strikers' families.

The Prime Minister devoted more than half her comments in the hour-long interview to the state of the trade union movement.

In the longer term, Mrs. Thatcher said Ministers were considering the question of union immunities, particularly those granted by the Labour Government in 1976, and the "distant blacking" highlighted by the recent House of Lords ruling, overturning a Court of Appeal decision.

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Soames uses Rhodesian security men

BY QUENTIN PEEL

LORD SOAMES, the British Governor in Salisbury, has ordered a further deployment of Rhodesian security forces to combat lawlessness, it was announced yesterday.

But his decision to use the security forces—and the poorly-trained auxiliary forces in particular—to police the ceasefire after 18,500 guerrillas reported to ceasefire assembly camps, seems certain to provoke a major political storm.

A British spokesman also admitted that regular South African military units were still operating inside Rhodesia—at Beitbridge near the railway line to South Africa—after the ceasefire deadline and under the Governor's jurisdiction. This is also likely to be highly controversial.

A last-minute rush by guerrillas to report to the rendezvous and assembly points set up for them to observe the ceasefire doubled the numbers in the camps in the last 24 hours before the deadline of midnight Friday. Hundreds more reported after the deadline.

Maj.-Gen. John Acland, commanding the monitoring force, described the exercise as a "comparative success." But a British spokesman also admitted that the numbers had been swollen by guerrilla sympathisers and by guerrillas infiltrating into Rhodesia from neighbouring countries.

Lawless

The figure of 18,500 in the camps nevertheless compares very favourably with the general estimate that there are between 15,000 and 20,000 guerrillas inside the country. Mr. Nicholas Fenn, the spokesman for Lord Soames, said "The Patriotic Front has clearly made a serious effort to assemble their forces. Nevertheless, some force are still unaccounted for."

He said the decision to allow units of the Rhodesian security forces—including the controversial auxiliaries loyal to Bishop Abel Muzorewa, the former Prime Minister—to deploy in support of the police, had been taken recently by the Governor.

They would "support the police to the extent this is necessary to maintain effective law and order, and deal with breaches of the peace."

Patriotic Front officials have claimed that the presence of the auxiliaries in protected villages was a major reason for guerrillas being unwilling to obey the ceasefire.

In an interview with a Rhodesian newspaper, Bishop Muzorewa called for the banning of the Front from the forthcoming elections.

"I think the Government should be firm and implement the ceasefire in the letter and spirit. I would say the Front has not fulfilled the conditions and should therefore be penalised," he said.

Similarly, the Rhodesian military claims that Mr. Robert Mugabe's Zanla forces are under orders to keep 20 per cent of their men in the field. Mr. Joshua Nkomo's Zipra forces have been told to hide their arms, put on civilian clothes and move among the people.

Bishop Muzorewa launched his re-election campaign yesterday in Salisbury with a further bitter attack on the PF. Speaking to a crowd of about 50,000, he said: "Zanu (Mr. Mugabe's party) and Zapu (Mr. Nkomo's) are warmongering, bloodthirsty political disorganisations that must not, and will never be allowed again, to turn our country into a human slaughter house."

The crowd was noticeably smaller than some of his rallies before and during the internal-settlement elections in April 1979 despite the fact that his United African National Council had bussed in supporters.

The Bishop promised "a dramatic land distribution system," free compulsory primary school education, free health services and a new housing policy.

At his press conference yesterday, General Acland said that only 60 men had actually reported to guerrilla assembly points unarmed, but refused to commit himself on how many were genuine guerrillas. He did say that some 5,000 of the 18,500 were believed to belong to the Zipra army and the Zanla army.

It became clear yesterday that the British authorities and the Commonwealth monitoring force had allowed an effective extension of the ceasefir eto cope with the large numbers of guerrillas arriving late. The last rendezvous points were closed in the early hours of yesterday morning. The Governor also announced that guerrillas could still give themselves up provided they surrendered their arms

However, the decision by the Governor to deploy more members of the security forces suggests that the first British priority is to tackle the guerrilla forces who do not observe the ceasefire, and to leave allegations of ceasefire breaches by the Rhodesian forces until later.

OVERSEAS NEWS

Iran clashes leave 43 dead

BY SIMON HENDERSON IN TEHRAN

IN SEVERAL incidents of violence in Tehran, 43 people have been killed and several hundred injured over the past three days. There was no unifying factor in the outbreaks but together they represent increasing anarchy and tension, particularly between rival religious and ethnic groups.

Sensing the threat to Ayatollah Khomeini's regime, the authorities declared Saturday a holiday. Thousands marched in demonstrations throughout Iran blaming the U.S. and imperialism for the trouble.

The worst incident occurred on the same day at Bandar Langeh on the Gulf Coast, not far from the Straits of Hormuz, where 41 died and about 110 were injured in fighting between groups of Shi'ite Moslems and minority Sunni Moslems. Several more people were reported injured yesterday. The police and gendarmerie posts were besieged by armed men. All the shops were shut and there was no movement in the town.

In Tabriz, the provincial capital of Azerbaijan near the Turkish and Russian borders, more than 100 people were reported injured in clashes between supporters of Ayatollah Khomeini and those supporting Ayatollah Shariat-Madari, Iran's other leading clergyman.

Fighting has broken out in Tabriz after trouble in the holy city of Qom on Friday where both Ayatollahs live. On Friday night the local radio and TV station was held briefly by followers of Ayatollah Shariat-Madari before being recaptured by revolutionary guards.

Another 200 people were injured in clashes in the oilfields town of Masjed Soleyman, in the south-west, following a sit-in by unemployed school-leavers in the Governor's office. A pipeline in the oilfields was also blown up. The resulting fire was quickly brought under control and several other bombs were found.

An important official in the local revolutionary committee was assassinated by unknown gunmen outside his home in Isfahan, Iran's second largest city. Hundreds of people have recently been occupying the Governor's office in the city in protest at the activities of the revolutionary committees.

In Teheran, the Afghanistan embassy was briefly occupied by students protesting at the Russian action against Afghanistan. They left the building after reading a note of protest.

● The director general of foreign Press in the Ministry of National Guidance said in a weekend interview with the Iranian news agency, Pars, that he was considering asking American, British and West German journalists to leave the country because of protests he has received about them.

Western oil groups may get refining stake

BY RAY DAFTER, ENERGY EDITOR

SEVERAL Western oil companies — including British Petroleum—are likely to refine a significant part of Iran's crude oil production under an agreement now being finalised in Tehran.

The move marks yet another development in the increasingly complex world oil market. Under the plan, about 20 per cent of all Iran's output, some 700m barrels a day, based on current production levels, will be refined abroad by the Western companies. The refiners would act as secondary contractors, a senior official of the National Iranian Oil Company said.

The NIOC would buy back from the refiners a large proportion of the processed oil, perhaps as much as 50 per cent, at cost price. This oil would then be sold on the high value products market. The remaining oil would be sold to the refiners although details of the financial arrangements have not been disclosed.

Mr. Ali Akbar Moinfar, the Iranian Oil Minister, told the official Pars News Agency yesterday that the move would enable them to increase its oil revenues without raising production levels.

Iran is currently producing an average of 3.5m b/d of crude oil. AAcording to new industry figures, Iran has refining capacity for some 920,500 b/d of crude, mostly at Abadan and Tehran. About 700,000 b/d of the refined products are used in Iran.

BP confirmed last week that it was hoping to refine some of Iran's oil. Along with the Royal Dutch-Shell group and a number of Japanese companies, BP has just signed a new crude oil supply agreement with Iran at a basic price of $30 a barrel. Shell and BP have had to face a severe cut in their crude oil supplies from Iran, however.

Egypt and Israel meet in Aswan

The ninth summit meeting between the leaders of Egypt and Israel which opens in Aswan today will deal both with bilateral issues and with the latest developments in the Middle East, particularly the Soviet invasion of Afghanistan, David Lennon writes Tel Aviv.

High on the agenda will be the beginning of normal relations at the end of this month, after Israel completes its military withdrawal to a new interim line in Sinai. Ambassadors are to be exchanged on February 26.

Israel feels that Egypt has been slow to complete the technical arrangements for opening consulates on January 26, a day after the withdrawal is complete.

U.S. car makers hit

Ford Motors, traditionally the U.S.'s number two motor manufacturer, was last year outsold in the domestic market by imports, Ian Hargreaves writes from New York. This is one of many gloomy facts for the Detroit car makers to emerge from the year-end statistics, which show that the home manufacturers' sales (including those of Volkswagen of America) dropped from 9.3m in 1978 to 8.3m last year. Ford and Chrysler were equally hard hit. Both companies saw their sales slip by 17.4 per cent, compared with only a 9 per cent drop for General Motors, the industry leader.

Doctors visit Tito

President Josip Broz Tito of Yugoslavia was examined yesterday by U.S. and Soviet medical professors, according to an official announcement in the Yugoslav national news agency, Tanjug, Reuter reports from Belgrade. Professor Michael de Bakey, the U.S. heart specialist, and Professor Marat Knaizyev of the Soviet Union examined the 87-year-old president at his home in Brdo, and later consulted Yugoslav doctors. President Tito left hospital on Saturday after examination of blood circulation problems in his legs.

Polisario 'kills 370'

Polisario front guerrillas fighting for an independent Western Sahara said yesterday they killed nearly 370 Moroccan soldiers in two attacks around a desert garrison town near the Moroccan frontier last week, Reuter reports from Algiers.

Syrian Baathists change leaders

BY IHSAN HIJAZI IN BEIRUT

THE LEADERSHIP of the ruling Baath Party in Damascus has been reshuffled, but the main figures in President Hafez Assad's regime have been retained.

After two weeks of deliberations, the party congress on Saturday night elected a 21-man national command of the party, as well as a 75-member central committee. It also named a five-man watch-dog body called the "Inspection and Control Committee" to enforce party discipline.

President Assad has been re-elected Baath Party general secretary, a post he has held since he seized power in a bloodless coup 10 years ago.

Fourteen prominent Baathists have been dropped from the leadership, including Mr. Mohammed Ali Al-Halabi, the Prime Minister, and Mr. Mohammed Hadid, the Speaker.

Their removal is seen by analysts as reflecting growing complaints about Government inefficiency, dereliction of duty, and even corruption, and has revived speculation that a new Cabinet will be formed soon.

Two prominent members of the regime have retained their membership in the party leadership. They are Lt-Col. Rifaat Assad, the President's brother and commander of the special forces, and Maj.-Gen. Mustafa Tlas, the Defence Minister.

Three others, Maj.-Gen. Hikmat Chehabi, the Chief of Staff, Mr. Iskendar Ahmed Iskendar, the Information Minister, and Mr. Mahmoud Al-Ayoubi, the former Prime Minister, have been elected to the party command. Mr. Ayoubi is tipped to form the new government.

Republicans gather in Iowa

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

SIX REPUBLICAN Presidential candidates assembled in Des Moines, Iowa, on Saturday night to debate with each other, but found it profitable instead to attack two men who were not there—President Jimmy Carter and the man they must first beat if they are to reach the White House, Mr. Ronald Reagan.

The first such debate of the election year, prior to the Iowa party caucuses two weeks from now, was civilised and homogenous: nobody caught foot-in-mouth disease and to the extent that anybody scored clear points it was Congressman John Anderson from Illinois, who succeeded in establishing to a wider audience than he has enjoyed so far that he is indeed the most candid, original and, of course, liberal of the Republican pack.

Unlike Senator Howard Baker, Mr. George Bush, Mr. John Connally, Mr. Philip Crane, and Senator Robert Dole, only Mr. Anderson said the President was right to impose a partial grains sales embargo on the Soviet Union.

But it was Mr. Anderson, too, who, in a fine rhetorical concluding speech, drew the only unsolicited applause of the evening. Otherwise, Iowans were only moved by the wit of Mr. Connally, who was in benign good form, and Mr. Dole, who reminded people who might have forgotten his performance in 1976 as President Ford's running-mate that his humour may be quick but is often savage.

Conceivably, the only loser was Mr. Reagan, the Republican front runner, who long ago said he would not take part. He had argued that it was potentially divisive for Republicans to speak ill of each other.

Nevertheless, his absence did allow the six on stage to get in a few unanswered cracks about his refusal to face the Iowa public and to remind the audience that he had a record for losing national elections.

It was also noticeable that the attacks on President Carter's record steered clear of substantive criticism of his handling of the Iranian crisis.

Dutch propose freeze on wages

BY CHARLES BATCHELOR IN AMSTERDAM

THE Dutch Government will ask unions and employers to agree to a three- to four-month voluntary wage freeze to allow a discussion of wage levels and the problems of the labour market. This proposal was made as the two sides of industry are gearing up for the 1980 wage round.

The Government will be forced to impose controls unless the two sides can agree to the freeze, Mr. Willem Albeda, the Social Affairs Minister, said in the magazine of the largest Dutch union federation, the FNV. Wage controls are a "rough and ready" answer to the problems, but the worsening economic outlook requires the Government to take some action if persuasion is not effective, he said.

Central wage talks between unions, employers and the Government are due to resume on January 10. After the talks broke down twice at the end of last year, the two sides were nevertheless persuaded to resume discussions by gloomy new forecasts made for the Dutch economy.

The outlook has worsened to such an extent that the agreement which was nearly reached in December for a rise of 1 per cent, plus bonuses for unpleasant work, as well as full compensation for increased prices, would place too great a strain on the economy, Mr. Albeda said.

The Dutch economy is now expected to grow by only 0.5 per cent next year, compared with the previous forecast of 2.5 per cent. Recent increases in the price of oil alone would lead to a balance of payments deficit of Fl. 1.5bn (£356m), while excessive wage demands would increase that figure.

The executives of the major unions are due to meet on Monday to discuss their response to the new forecasts and to the Government's threat of wage controls. The unions accept that the situation is now much more serious than when the early rounds of the wage talks were held, a senior union official said. The smaller CNV federation said, however, it would reject any attempt to reduce still further the demands the unions have made. The VNO employers' federation also said it opposed wage controls.

Afghans free prisoners

BY OUR FOREIGN STAFF

THE GOVERNMENT of President Babrak Karmal, installed in Afghanistan with Soviet military backing 11 days ago, this weekend released between 10,000 and 15,000 prisoners from Pul-e-Chakri, Kabul's main jail, according to diplomats arriving in Pakistan.

At the same time, the first western journalists to arrive in Kabul since the coup which deposed President Hafizullah Amin on December 28 reported that the capital was quiet.

Soviet ground forces in Afghanistan, estimated to number between 40,000 and 60,000, are reported to have fanned out from the capital in an attempt to secure provincial capitals.

Fierce fighting has been reported, with heavy casualties, particularly among the Moslem rebels waging a "jihad," or holy war, against the invading Soviet army.

First reports that the gates of Pul-e-Chakri prison had been opened came from diplomats flying into Islamabad from the Afghan capital. They claimed they had seen cars and people strung for miles along the main road from Kabul to Pul-e-Chakri, on the city's eastern outskirts.

Also over the weekend, a rebel radio station thought to be broadcasting from inside Afghanistan admitted that Moslem guerrillas have suffered heavy casualties in their battles with Soviet troops.

The broadcasts back up reports by Western journalists now in Kabul that most of the Soviet forces have moved into the border regions.

Heavy fighting has been reported around Jalalabad, due east of the capital and near the Pakistan border.

Afghan rebel leaders said yesterday in Peshawar, capital of Pakistan's north-west frontier province bordering Afghanistan, that they planned a Vietnam-style war of attrition against the Soviet troops in their country.

Rebel leaders are also claiming numerous defections by regular Afghan troops. A garrison at Urgun, in Paktia province, south of Kabul, is reported to have joined the rebels, taking with it "several dozen tanks" and armoured personnel carriers. The rebels admit they are very poorly equipped.

President Zia-ul Haq, Pakistan's military leader, met defence chiefs at the weekend. As well as discussing Afghanistan, the subject of the supply of U.S. arms was evidently high on the agenda.

Roger Matthews adds from Cairo: Egypt is demanding a cut in the number of Soviet diplomats and technical staff in the country, as a protest over the invasion of Afghanistan.

It was also announced that Egypt is to sever all remaining relations with Syria and South Yemen because of their support for the Soviet invasion, that it is to offer military training for Afghan rebels.

Mr. Mansour Hassan, Minister of State at the Presidency, said last night that a full diplomatic break with the Soviet Union might be considered.

WORLD TRADE NEWS

Swedish car makers urge action to support exports

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

THE SWEDISH car manufacturers Volvo and Saab have urged their Government to bring automobile regulations into line with those adopted by the EEC countries. Sweden could not afford far-reaching environmental control measures, they said.

New proposals for legislation to control fuel consumption, the lead content in petrol and exhaust emissions could be interpreted as setting up trade barriers to foreign car imports and could provoke reprisals against Swedish car exports, Mr. Pehr Gyllenhammar, Volvo's managing director, warned.

He and Mr. Sten Gustafsson, managing director of Saab-Scania, headed a delegation which outlined to three Cabinet Ministers the strong objections of the car makers and car importers to the proposed regulations.

One committee advising the Government has suggested that Sweden adopt the new U.S. exhaust emission regulations. The Swedish manufacturers could meet these regulations, but the result would be cars which could not be sold within the EEC and which Swedish car owners could not use on the Continent, Mr. Gustafsson told a press conference.

Under guidelines recently passed by the Swedish Parliament, the petrol consumption of cars sold in Sweden in the mid-1980s should be no higher than 0.85 litres per 10 km, while cars sold in 1990 should use no more than 0.75 litres per 10 km.

Cars of the weight and engine volume produced by Volvo and Saab could meet the 1985 limit only through expensive product development programmes, the delegation said. The further reduction to 0.75 litres in 1990 would be impossible if the Swedish car industry were to remain competitive on foreign markets.

From January 1 this year Sweden has cut the permissible lead content in petrol, and a Government working group has recommended that lead-free petrol should be introduced in Sweden during 1983.

Volvo and Saab said that they could not accept further restrictions on the lead content on the Swedish market before similar steps had been taken by other European countries.

Steyr reduces Greek holdings

BY PAUL LENDVAI IN VIENNA

STEYR-DAIMLER-PUCH has concluded a complex package deal with the state-controlled Greek bank, under which the Austrian interest in Steyr-Hellas, the Steyr subsidiary in Greece would be reduced from 66 per cent to 32 per cent.

At the same time the Greek share would be increased from 28.3 per cent to 60 per cent through a $13.6m capital increase. The remaining 8 per cent is held by Steyr's personal agent in Greece. Most of the contracts for the deal were signed recently but an additional one, already initialled, will be signed this month.

The deal substantially changes a controversial foreign engagement, dating from 1972, when the original agreement signed under the rule of the Greek military junta, provided for plant manufacturing trucks and tractors. These deals have since been changed by the Karamanlis Government, and Steyr has had difficulties in finding a mutually acceptable compromise.

Under the new arrangement, the operation will be based on supplying the Greek army with military trucks.

In addition to an earlier order for 3,500, the Greek side has awarded a second contract for 3,500 lorries and 1,500 motors. The order is worth Sch.2.5bn (£90.9m) and has to be carried out in 3½ years.

Steyr will retain management and will provide know-how.

Steyr also will be required to buy 10,000 motors from the Greek subsidiary over the next five years. These deliveries will be absorbed into the framework of third country co-operation projects such as the deal in Nigeria.

UK-N. Yemen row hits trade

BY JAMES BUXTON

BRITISH EXPORTERS are having problems obtaining import licences for goods bound for North Yemen as a result of a serious row between the British and North Yemeni Governments.

The row is over the impounding of a Yemen Airways Boeing 727 airliner at Heathrow at the end of November. The aircraft was due to fly home the N. Yemeni Prime Minister, Mr. Abdul-Aziz Abdul-Ghani, after an official visit to Britain, but was seized under an injunction pending settlement of a dispute between Yemen Airways and British Midland Airways.

The Department of Trade says that some British exporters have had import licences for their goods refused. Other companies have had to make special efforts to smooth the way for their regular exports.

The Foreign Office is trying to work out a formula for settling the dispute which has badly damaged relations between the two countries and so far has cancelled out the results of what had been a successful official visit to Britain by the visiting Prime Minister.

British Midland claims it is owed $4.2m by Yemen Airways as a result of the alleged cancellation in early 1978 of a contract to lease two Boeing 707 jets. The British airline says it heard nothing from Yemen Airways and that the Foreign Office made no attempt to settle the issue during the Yemeni Prime Minister's visit.

The aircraft is still standing at Heathrow, and British Midland says the position is unchanged.

Britain had sold £41.7m worth of goods to North Yemen in the first ten months of this year.

Iraq buys Mirage jets

PARIS — Iraq has ordered 24 French Mirage F-1 fighter bombers in a $300m (£133.9m) deal, bringing the total F-1s sold to Iraq to 64, Reuter reports.

French armament industry officials said at the weekend that the Iraqi Air Force has also taken an option on the Mirage 2000 combat aircraft, now in production, and is negotiating the purchase of the French Crotale missile defence system, they added.

Iraq is seeking increased co-operation with France in the military field and has offered to increase oil supplies to France to pay for additional French weaponry, the officials said.

Iraq has recently turned from the Soviet Union to France for new weaponry, and the army has bought more than 100 French AMX-30 medium tanks, Panhard light armoured cars equipped with SS-11 anti-tank missiles as well as Super-Frelon and Alouette 111 helicopters.

● The UK Export Credits Guarantee Department has guaranteed a £88.5m loan which Lazard Brothers, acting for a syndicate of banks, has made available to the Romanian Bank for Foreign Trade, Michael Donne writes: The loan will help finance a contract awarded to Rolls-Royce by the Central National Aeronautic Bucuresti and Central National Al Industriei Aeronautice Romane, for the supply of Spey jet engines.

World Economic Indicators

INDUSTRIAL PRODUCTION

					% change over previous year	Index base year
	Nov. '79	Oct. '79	Sept. '79	Nov. '78		
U.S.	149.0	149.6	152.3	148.2	+0.5	1967=100
	Oct. '79	Sept. '79	Aug. '79	Oct. '78		
UK	113.0	110.7	111.7	109.3	+3.4	1975=100
France	133.0	135.0	137.0	129.0	+3.1	1970=100
Germany	127.6†	130.3	106.1	124.6	+2.4	1970=100
Holland	124.0	126.0	124.0	123.0	+0.8	1970=100
Italy	157.0	143.6	78.5	142.6	+10.1	1970=100
	Sept. '79	Aug. '79	July '79	Sept. '78		
Japan	134.3	135.3	134.1†	124.7	+7.7	1975=100
	Aug. '79	July '79	June '79	Aug. '78		
Belgium	111.0	75.7	131.0	107.8	+3.0	1970=100

† Provisional.

SHIPPING REPORT

Carriers hit by U.S. grain move

By William Hall, Shipping Correspondent

THE U.S. decision to halt grain exports to Russia has dealt a nasty blow to operators in the dry bulk carrier market. For most of last year the market was recovering strongly on buoyant Soviet grain imports. The U.S. embargo on further grain sales has now thrown the market's recovery into jeopardy.

It is much too early to predict what will happen to freight rates but the initial impression is that it could lead to a serious setback if the embargo is prolonged. World shipments of grain are currently running at around 150m tons a year and before the embargo the U.S. had agreed to export 25m tons to Russia in 1979-80.

In 1978/79 Russia imported around 14m tons of grain but it has been estimated that total imports in 1979/80 would be as high as 36m tons.

The sharp increase in imports has been accompanied by heavy (but often secret) Russian chartering. This has been one of the mainstays behind the improvement in the bulk carrier market in 1979 and U.S. Gulf/Europe grain rates for 50,000 tonners rose from a 1978 low of $4.43 per ton to close to $20 per ton late last year.

As the U.S. accounts for roughly 60 per cent of world seaborne grain trade the Russians will find it difficult to find alternative supplies from the three other main grain exporters—Canada, Argentina and Australia.

The initial conclusion for the bulk carrier market is that rates will soften in the wake of the U.S. decision.

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Robert Mauthner, in Paris, explains why M. Barre, forced to try and impose his budget on France, is still Prime Minister.

Uncertain shelter beneath De Gaulle's constitution

IF THE French political system was anything like that of the other Western European democracies, the Government led by M. Raymond Barre would have fallen several weeks ago.

It is hardly conceivable that any British, Dutch, Scandinavian or, least of all, Italian government could have survived the rejection of its Budget by Parliament. Nor would the governments of those countries be able to carry on without a Parliamentary majority to back them and pass their legislation.

It is only thanks to that carefully-tailored instrument, the Constitution of the Fifth Republic, that the present Government's life has been saved — perhaps only temporarily. It was specifically devised to fit the outsize figure of General De Gaulle, but also to prevent the political instability which was the outstanding feature of previous French Republics.

Not only does the constitution give the French President a dominant role in the government of the country — he is elected for a seven-year term by universal suffrage and his position is not affected by an adverse Parliamentary vote — but it contains a number of special safeguards to ensure the durability of governments.

The President himself can change his Prime Minister and Government any time he likes and can also dissolve Parliament. But in the absence of such a move the Government can be overthrown only by a censure vote, backed by an absolute majority of National Assembly deputies.

When, at the end of October, M. Barre was faced with a Gaullist revolt over the 1980 Budget, the Prime Minister did not hesitate to resort to a special procedure, permitted by the constitution, but which can hardly be considered acceptable by the standards of any other Western democracy.

The now-notorious Article 49 of the constitution allowed him to "engage the responsibility" of the Government on the Finance Bill, or indeed any other piece of legislation, which could then be defeated only if a censure motion was adopted by the National Assembly.

From a purely political point of view, the Prime Minister was on safe ground. The Gaullists had made it clear that in spite of their oppostion to the Budget they were not prepared to back censure motions tabled by the opposition Socialist and Communist parties.

Nor were the Gaullists willing to take the initiative in censuring the Government, a move which could have provoked a general election in which they risked losing a large number of seats.

M. Barre has emphasised that he intends to use this extraordinary constitutional procedure whenever necessary. But since it was first employed the political climate has deteriorated so much that a major crisis can no longer be ruled out.

Not only has the Prime Minister been forced to ask for what amounts to Parliamentary confidence votes on the Budget and social security legislation on four occasions in the past few weeks, but he has also suffered the supreme humiliation of seeing the 1980 Budget annulled by a decision of the "watchdog" Constitutional Council.

The Constitutional Council, it is true, made its ruling on the purely technical point that proper Parliamentary procedure was flouted because the revenue side of the Budget was not submitted to a vote before the expenditure chapter. It did not invalidate M. Barre's resort to the special constitutional provision allowing him to make the Budget a question of confidence —thus pushing it through the National Assembly virtually automatically.

But the whole affair has further tarnished the Government's image. Parliament was hurriedly recalled during the Christmas recess to adopt a stop-gap measure allowing the Government to levy taxes from January 1 until a new Budget is adopted. The Finance Bill will be reintroduced in the National Assembly today.

The Gaullists have already made it clear that they will maintain their opposition to it because M. Barre has refused to accept their proposal for spending cuts, thus forcing the Prime Minister once again to resort to Article 49.

Whatever the Constitution says textually, there can be little doubt that its spirit is not being respected. Article 49 was intended to be used only as an exceptional measure, not as a normal instrument of Government.

The Gaullists are in a cleft stick of their own making. They joined forces with the pro-Giscard Centrists at the 1978 general election only to stop the Left coming to power. But they are not in sympathy with the internationalist and liberal economic philosophies of the President and, above all, their leader, M. Jacques Chirac, has his eyes on the Presidency.

M. Chirac knows that his chances of defeating the present incumbent of the Elysee Palace at the next Presidential election in the spring of 1981 are only very slight. To improve his prospects he must present himself as a real alternative to President Giscard, with policies distinct from those of the present Government. Hence the Gaullists' repeated efforts to separate themselves from M. Barre's economic policies and their constant criticism of what they consider to be President Giscard's weak and pro-American international stance.

At the same time, the Gaullists do not want to give the impression that they are conspiring with the Left to bring down the Government, which they initially supported and which still includes a large number of nominally Gaullist Ministers.

They have thus put themselves in the contradictory position of opposing most of the Government's policies, without daring to use the ultimate weapon of toppling it by a censure vote.

Clearly, the present situation cannot last very much longer, either from the Governments or the Gaullists' point of view. The Government cannot, according to most observers, continue to rule virtually by decree for another 16 months without seriously damaging President Giscard's prospects of being elected for a second seven-year term.

However, President Giscard—whose standing in public opinion polls has been surprisingly unaffected by the various scandals which have beset his regime recently—still has an ultimate and deadly weapon up his sleeve. He can dissolve Parliament and call a general election. Given the present state of disarray of the Left and the relative unpopularity of the Gaullists, this might be the best way of strengthening his Parliamentary support and his own electoral prospects.

Though President Giscard still appears to be ruling out a general election in his public statements, political developments over the next few months could make him change his mind. One way or the other, France faces a hot political spring and an even hotter autumn.

Silicon chip shortage likely

BY ELAINE WILLIAMS

UK EQUIPMENT manufacturers are finding it increasingly difficult to obtain supplies of silicon chips.

Some components are now taking up to six months to reach manufacturers. Semiconductor companies believe that the shortage will continue well into the year.

Mullard, part of the Dutch Philips group, said that the whole industry was having problems meeting deliveries for industry, especially for components such as microprocessors and associated memory circuits.

Ferranti, one of the largest users of components in the UK, said that delivery times for memories were at least 20 weeks. Even established ranges of other types were taking between 10 and 30 weeks.

To ensure a continuous supply of components, Ferranti uses four major suppliers and orders well in advance of its needs. International Computers also said that it was planning six months ahead, so had no long term difficulties.

In the U.S., the major semiconductor manufacturers have reported that the level of ordering for components is still very high though not as strong as last year. However, manufacturers fear that many companies have made "double orders" to ensure continuity of supply. If a recession hits, sudden cancellations could hurt the industry. This happened in 1974 following the oil crisis.

Part of the problem stems from a failure by semiconductor manufacturers to invest in new plant and equipment in 1978 in anticipation of a recesssion. Instead, demand for electronics components increased rapidly and semiconductor manufacturers to invest in new plant and have been hard pressed to build more production capacity quickly enough, due to lack of manpower and other resources.

A spokesman for Mullard said that supply flow difficulties could be avoided in future if equipment manufacturers were more willing to discuss their needs with the chip suppliers.

Plan to protect 'core' industries

BY MAURICE SAMUELSON

THE BRITISH economy is likely to face unprecedented competition in the 1980s, and special protection may be needed for "core industries" vital for a balanced economy, according to a discussion paper on trade policy circulated by the Confederation of British Industry.

The CBI stresses that it is still strongly wedded to the principles of free and fair trade and that the concept of safeguarding core industries is only one of the options put forward in its document. Nevertheless, compared with its present policy, there is a distinctly protectionist flavour about it.

Mr. Hugo Herbert-Jones, the CBI's international affairs director, said the discussion paper was a step towards evolving a new policy document which would be presented to the Government and to European employers' organisations. By core industries, he and his colleagues had originally meant those which were a precondition of industrial activity, such as steel.

The final document might refer to the need to preserve the core of key industries, rather than to core industries as such.

The proposal follows a warning that on present trends "all British manufacturers of consumer goods and other standard technological products will become vulnerable in the 1980s."

The concept of core industries, such as electronics and engineering, is then advanced as an alternative both to the outright rejection of protectionism and to the present CBI policy of trying to deal piecemeal with particular sectors.

A possible advantage of this strategic approach, the paper says, would lie in the application of a settled policy to individual sectors as soon as the need became apparent "and not, as at present, after lengthy deliberation and when the damage had been done."

It would apply to those industries which must survive to ensure a balanced economy, the production of essentials in wartime and for the social well-being of the community. In theory, it would be a move towards the "Fortress Britain" or "Fortress Europe" concept, the paper says.

Some of the strongest threats to British industry will come from what the paper calls the four "supercompetitive" countries of the Third World—Hong Kong, South Korea, Taiwan and Singapore, which are likely to be joined soon by India and Brazil.

Consequently, the paper suggests, "it seems no longer right or necessary to treat all developing countries on the same basis and to accord them the same special status in trade policy matters irrespective of their stage of economic development."

This could be rectified by creating a new category of countries defined by recognised criteria such as GNP per head of population. These countries would have to lower their high protective tariffs, dismantle their quota systems, accord most favoured nation treatment to other GATT members and, in general, accord to GATT disciplines.

Alternatively, the EEC, with the possible support of the U.S. and Japan, could launch a political initiative to persuade the newly industrialising countries voluntarily to move out of the "developing" category for trade policy purposes as a matter of national prestige.

But, if both these failed, the EEC could take a strong line with the newly industrialising countries and restrict their exports to the Community if they failed to conform to normal GATT rules and provide better access for imports from industrialised countries.

The paper also envisages the renewal of the Multi Fibre Arrangement on textiles, which expires next year, and the possibility of concluding MFA-type agreements for other sensitive items such as footwear and petrochemicals.

Interest rate reductions 'rest on borrowing curbs'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

HOPES OF a significant reduction in short-term interest rates this year depend mainly on the Government's willingness to take the measures needed to limit public sector borrowing in 1980-81 to about £9bn, stockbrokers Phillips and Drew argue in their monthly forecasts published today.

The brokers expect minimum lending rate, at 17 per cent, to remain above 15 per cent early in 1980. After that further reductions in MLR (to perhaps 12 per cent by the end of 1980) will depend mainly on whether such action is taken.

Without the required deflationary measures of around £2bn in the spring Budget, the outlook for interest rates would be every much less favourable than this.

This analysis underlines the growing City view that public sector borrowing will have to be held down in 1980-81. The Government appears to recognise this, as is shown by the further public spending review now under way.

Oil revenue

Brokers James Capel say that while the Government will have to introduce a deflationary Budget in order to reassure financial markets, that its monetary targets for 1980-81 will not be breached, the medium-term outlook is more encouraging.

The rapid build-up of North Sea oil revenue should enable the Government to reduce public sector borrowing to around £6½bn to £7½bn a year in the period 1982-85 and from more than 5 per cent of Gross Domestic Product at present to 2 per cent in 1985, even with a neutral or mildly reflationary fiscal stance.

This would allow a progressive reduction in the growth of the monetary aggregates without producing the inconsistency, between monetary and fiscal policy, which has so disrupted financial markets in the 1970s.

A broadly similar view is taken by Cambridge Econometrics in its latest medium-term analysis published today. This is the commercial side of the Cambridge Growth Project, a university research study which has developed one of the largest forecasting models of the economy. It is separate from the New Cambridge group of economists under Mr. Wynne Godley.

Cambridge Econometrics says the build up of North Sea oil revenues should allow public sector borrowing to fall from 6.4 per cent of Gross Domestic Product in 1979 to 3.2 per cent by 1983. As a result, money supply growth targets of around 7 to 8 per cent can be achieved in the medium-term while at the same time a substantial fall in interest rates can occur.

However, the increase in public sector wages, associated with the Clegg Commission's pay comparability awards, leaves no scope for significant cuts in income tax this year.

The forecasters believe that the 1980s as a whole will show poor, but not catastrophic, growth performances with Gross Domestic Product at factor cost growing by 1.6 per cent a year. If the more stringent monetary policy now being pursued successfully moderates wage settlements, the growth of consumer prices would average 9.2 per cent between 1980 and 1990.

A run of small current account surpluses in the early 1980s will be followed by a run of small, but easily financed, deficits in the latter half of the decade. But unemployment will be a major problem, since it will exceed 2m for most of the decade.

Analysts question UK economics

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE Government's economic strategy is challenged by Chase Econometric Associates, the U.S. forecasting organisation, in its new long-term analysis published today.

Chase has carried out computer simulations on its forecasting model into the Government's economic policies. Its main conclusion is that any successes in conquering inflation and stimulating the supply side of the economy would be moderate and the costs in terms of lost output and additional unemployment would be severe.

This view is in line with that reached by a number of City stockbrokers using conventional forecasting models of the economy.

Consequently, Chase believes that the Government will start to relax its tight fiscal and monetary policies around the middle of this year. In the absence of outward exchange controls this is expected to trigger a significant decline in the exchange rate which will be a major reflationary force.

In the long-run, the forecasters expect to see a monetary and exchange rate policy of preserving competitiveness and a long-run of fiscal policy of using any emerging balance of payments surpluses to stimulate a higher level of economic activity.

After a lacklustre economic performance this year, total output, as measured by real Gross Domestic Product, is likely to rise by 2.9 per cent in 1981 and by 5.5 per cent in 1982. But the momentum may not be developed and the annual growth output may settle down at about 2 per cent a year in the second half of the decade.

The main criticism of this analysis is likely to focus on the impact on inflation and expectations of a relaxation in fiscal and monetary policy and a falling exchange rate. Chase, however, believes that a pick-up in the level of economic activity will have a favourable impact on unit costs and that therefore the annual rate of increase in consumer prices will slacken from 15½ per cent this year to single figures in 1983. Incomes policies would have no permanent effect on the rate of wage inflation.

Job task force urged

AN INDUSTRIAL task force to combat unemployment caused by closures in major industries such as British Steel has been suggested by Mr. Dennis Stevenson, chairman of Aycliffe and Peterlee Development Corporations and a member of the National Enterprise Board.

"The purpose of this task force would be to tackle the problem at two levels—short and long term," he said.

Among short-term requirements would be identification of job opportunities within commuting distance for those who wanted to remain in the community, and within the region or county for those who did not.

A "flexible organisation with the resources — financial and professional—to deal humanely with human problems and efficiently and professionally with the community's industrial needs," was required.

Only a "theoretical organisation" exists at the moment to help in closures, Mr. Stevenson said. Its staff is employed full-time in local government, new towns and industry.

Princess recovering

PRINCESS MARGARET was yesterday in the London Clinic recovering from a minor operation for a skin lesion. She is expected to leave in the next few days.

Prudential rates up

BY ERIC SHORT

ANOTHER MAJOR motor insurer, the Prudential Assurance Company has announced increases on its motor insurance rate for 1980. Around 500,000 motorists in the UK will be affected by the rise, due to take place on February 1, ranging from 6 per cent to 12½ per cent and averaging 9 per cent. Northern Ireland is not affected.

Two other major motor insurers have announced increases in their motor premium rates. Cornhill Insurance lifted its rates by 12½ per cent on January 1, and the General Accident group is increasing its rates by an average of 12 per cent from February 1.

All three companies have found that rising claims costs and a continuing high number of claims have made it essential to revise premiums more often than once a year. The Pru previously lifted its rate by 10 per cent last August 1, having increased it before on February 1, 1979.

A mature driver living in Norfolk and insuring his Ford Cortina with the Prudential will pay £91.24 for fully comprehensive cover with full no-claims discount, compared with £83.88 last year—a rise of 16 per cent.

Plan to link county councils

A NORTH West county council's association could be set up to promote the interests of the region as a whole, following the decision by the Government to abolish the Economic Planning Councils.

Mr. Michael Heseltine, Environment Secretary, has already said he would welcome machinery to maintain a dialogue between local authority groups and central government. Now the leaders of the Cheshire, Cumbria, Greater Manchester, Lancashire and Merseyside county councils have decided to recommend the project to their authorities.

The association would consider matters of common interest and concern and would seek to represent united views to the Government, the EEC, and non-elected bodies in the region.

Poverty group urges child benefits increase

BY ROBIN PAULEY

A CALL for an "urgently needed" increase in child benefits is made in a letter today to the Prime Minister from the Child Poverty Action Group.

The group says child benefits are the key to tackling the "Why work?" syndrome because any problem of a narrow gap between incomes in and out of work only arises in the case of families with children.

It fears that when the Cabinet reviews social security benefits it may decide to try to increase the incentive to work by ending inflation indexing on short-term benefits.

The group urges the Government to tackle the question of work incentives "humanely by helping families in work through an urgently needed increase in child benefits, rather than by penalising some of the most vulnerable members of our society who are unable to find work."

It says an increase in child benefit would boost the tax-free income of working families, but would not help families out of work because it would be deducted from their social security benefits.

NEWS ANALYSIS ● STEWART DALBY ON THE CONSTITUTIONAL CONFERENCE

Digging for common ground in Ulster

THE GOVERNMENT is to make yet another attempt to find a political solution to the problems of Ulster today. Three of the four main political parties will attend a constitutional conference being chaired by Mr. Humphrey Atkins, Secretary of State.

But apart from a general consensus that there should be some kind of political development in the province, the prospects of success can hardly be said to be good.

Since the fully devolved and Unionist dominated Parliament at Stormont was abrogated in 1972, the troubled province has been run by direct rule from Westminster. The Secretary of State has powers like that of an old-time colonial viceroy. He is supported by a team of junior ministers. The old Stormont civil service departments have remained intact. But there is virtually no local government other than 26 district councils who have powers over parks and parking and very little else.

Attempts by various British governments to devolve more powers, including the short-lived power-sharing executive of 1974 and the convention of 1975, have failed because the largely Protestant Unionists have not shown willing to share power with the Roman Catholic minority, or have not wanted any association with the Republic of Ireland.

In eight years, therefore, Northern Ireland has gone from being the most heavily governed part of the United Kingdom to the least governed in local terms.

This time, the chances for bridging the gulf between the two communities would, on the face of it, seem remoter than ever. Two of the main participants are considered more extreme, respectively more "orange" and "green," than their predecessors.

The main Unionist who has agreed to attend is the Rev. Ian Paisley, who has consistently opposed any form of power-sharing and was instrumental in the Ulster Workers' Council organised strikes, which brought down the 1974 power-sharing executive.

Mr. John Hume, the new leader of the Social Democratic and Labour Party, the main Roman Catholic constituency party, is considered "greener," more interested in Irish unity than his predecessor, Mr. Gerry Fitt.

Mr. Hume only committed his party to the conference when Mr. Atkins agreed to permit representations about the Irish dimension. It seems unlikely, however, that participants will take advantage of a tack which could easily precipitate a walk-out by Mr. Paisley.

There seems little doubt that the conference will stand or fall on how far the Rev. Paisley and Mr. Hume are prepared to modify their known positions, or, rather, how far Mr. Atkins can threaten or persuade them into doing so. Although the non-sectarian Alliance Party is attending the conference, it is not very powerful and probably will not materially affect the outcome of the conference.

The largest Unionist party in terms of number of seats at Westminster, the Official Unionist Party, has declined to attend at all. Under the influence of Mr. Enoch Powell, Deputy Parliamentary Leader of the Official Unionists, the party has become more integrationist in complexion.

Perhaps Mr. Atkins' greatest hope of bringing Mr. Paisley and Mr. Hume closer together lies in the fact that he has not set any specific targets that are transparently unobtainable.

Mr. Atkins' discussion document sets out six possible models for government of Northern Ireland. These range from a fully developed legislature like Stormont to a system of local councils backed up by committees with little legislative power.

But Mr. Atkins has been at pains to emphasise that none of these models should be seen as blueprints. They are intended only as a basis for discussion.

As one of Mr. Atkins' aides put it: "Everything is up for negotiation. We are going to start at Z and see how far up the alphabet we can get." On this basis, even the factious politicians of Northern Ireland should be able to agree on something, even if only to hold another conference.

A breakdown might activate Mrs. Thatcher's tacit threat to implement plans for some kind of devolution with or without the politicians' agreement. This should help as an incentive to find some common ground undug over the past 10 years.

Left-wing plea to reform Labour

By Richard Evans, Lobby Editor

MR. ERIC HEFFER, leading Left-wing member of Labour's National Executive Committee, forecast yesterday that 1980 could make or break the future of the Labour Party, and he urged trade unionists to ensure the Left continued to win internal policy arguments.

In his view the alternative to a genuine Socialist Party would not be a mildly reformist Social Democratic Party but, far worse, a U.S.-style Democratic Party or a centre party like the Liberals, which would be prepared to retain all the fundamentals of the capitalist system.

Mr. Heffer's warning, given at a conference organised by the Institute of Workers' Control at Nottingham, was aimed at ensuring that party activists, particularly in the trade unions, should maintain the pressure for reforms that would mean the transfer of power from the leadership and the Parliamentary Party to the NEC and the party conference.

Action

He though it unlikely the party could continue in the present state of confusion toward the mixed economy, and in order to regain its unity he advocated three courses of action: The mobilisation of the Labour movement to support all workers fighting for better wages and conditions; similar support in struggles against closures and mass redundancies; and total opposition to Conservative Government cuts both in nationalised industries and at local authority level.

It was only by such unity that a rebuttal could be given to those who advocated splits in the Labour Party and to those few trade union leaders who might be tempted to stop contributing to Labour Party funds.

Grade's will

LESLIE GRADE, the brother of Lord Grade and Lord Delfont, who died on October 15 last year, aged 63, left £40,562 gross, £445 net in Britain in his will published yesterday. Mr. Grade, the youngest of the three brothers, was managing director of the Grade Organisation. He died at Frejus in France.

Road haulage companies facing 25 per cent increase in costs

BY LYNTON McLAIN

OPERATING costs in the road haulage industry are likely to rise between 20 and 25 per cent this year while higher costs from last year have still not been fully recovered.

The Road Haulage Association forecast the rise yesterday and said that some companies with poor profit margins "will go out of business" as demand for haulage slackens because industrial activity is falling.

Costs in the industry rose by a quarter last year. But 6 per cent of that rise was not recovered in higher haulage rates, the association, which represents 15,000 public haulage contractors, said at the end of last year.

The industry recovered about two-thirds of the 20.4 per cent rise in costs in the first nine months of the year. Higher labour costs had been passed on and fuel surcharges had been added to customers' bills.

Since July, however, the industry has faced a fall in demand for its services worse than the seasonal effect of holidays. Some companies have been unable to recover higher local authority rates, heating and clerical costs through higher charges.

The RHA said that operating costs are likely to rise by 8.5 per cent in the early weeks of this year, after recent wage settlements in the industry.

Surplus haulage capacity will increase customer resistance to higher rates. This may force public haulage companies which have a poor service record to absorb about 14.5 per cent of their higher costs.

The association believes specialist companies—especially those involved in steel haulage—are likely to be hit first.

Iron, steel and other metals accounted for 9.3 per cent of goods moved by road in 1978. But if all metal-using industries are included, they account for a quarter of all haulage activities.

The steel strike has already begun to bite. More than 60 haulage companies in the Sheffield area started to lay off drivers last week, or planned to do so. Almost a third of the association's members in South Wales are dependent on British Steel and have already laid off drivers.

Despite the difficulties, the association is optimistic that part of the higher costs may be recovered through higher productivity.

The association said that the legal requirement to fit tachographs in lorries from this year "could lead to noticeable productivity gains." These would, in part, be passed on to drivers.

The state-owned National Freight Corporation has linked an offer of marginally more than 20 per cent increase in basic pay rates to productivity changes. The corporation said last week these are necessary to keep operations within the Government's set cash limits.

Climate change predicted

DRIER SUMMERS in the South of England but wetter weather over the rest of Britain could come as man burns up the reserves of oil and coal.

Scientists at the Climate Research Unit, at the University of East Anglia report that this could be the effect of the vast amounts of carbon dioxide being released into the atmosphere.

Bow Group seeks reform of building societies

BY MICHAEL CASSELL

BUILDING SOCIETIES work in a vacuum with "empire building" their only real objective says a Bow Group report which calls for radical changes in the way the societies operate.

The highly critical report, published today, says that the mutual status of societies and the absence of the profit motive has encouraged them to become inefficient and to embark on a path of "undisciplined expansion."

Authors Simon Mabey and Paul Tillett say that normal commercial considerations do not apply to the societies which, in practice, find themselves properly accountable to no-one.

"The difficulty with building societies is that there is no effective procedure for replacing the management, and no effective mechanism for ensuring that members' interests are looked after, even when these can be unambiguously identified," they say.

In suggesting that societies should be turned by legislation into ordinary commercial companies, the report envisages that their role and functioning would eventually cease to differ from that of the banks. "Fair and vigorous" competition would rationalise the retail banking industry, and provide an efficient public service.

The report describes the societies' composite tax rate, paid on behalf of all investors and designed to raise the same amount of tax as if it had been calculated on individual accounts, as a "scandal." It claims the system represents "a conspiracy against the poorest savers."

Abolition of the societies' interest rate cartel is also called for by the authors, who recommend a free and competitive marketplace for savings and a move into alternative wholesale money markets for a proportion of required funds. Mortgage queues, they say, would be ended.

The price of reform is a somewhat higher mortgage rate.

"This would arise from the removal of the building societies' privileges and from the ending of mortgage rationing—in effect the mortgage rate would have to find its own level in a free market in which mortgages were in direct competition with other forms of credit."

The authors say that any proposal to raise the mortgage rate is bound to look politically unattractive, but they believe the proposals are "capable of being seen by the public to be in its own interest."

● *Building Societies — the need for reform. Bow Group £2 (Members 75p), 240 High Holborn, WC1.*

Some companies 'right to fear' Employment Bill

BY OUR LABOUR CORRESPONDENT

COMPANIES with good industrial relations and union agreements were worried about the likely impact of the Government's Employment Bill, Mr. John Monks, secretary of the TUC's employment policy and organisation committee, said at the weekend.

Such companies, Mr. Monks told the TUC's Northern regional council in Newcastle, rightly feared that the Bill would enable "eccentric and disgruntled individuals" to disrupt existing arrangements. They were also concerned that it would repeal procedures which successive governments had supported for 40 years to prevent unscrupulous competitors from undercutting recognised terms and conditions of employment.

The Government had also not ruled out the possibility of amending its own Bill to overcome the recent House of Lords judgment in the case involving Express Newspapers and the National Union of Journalists, which upheld the right of unions to take industrial action beyond the immediate point of a dispute.

"This would put the clock back more than 70 years and would lead industry into no-man's-land where any move could result in untold dangers for everyone," said Mr. Monks.

"Sensible employers recognise that this Bill will not help raise productivity or create jobs. It will give no support to a company or industry facing the daunting problems of technological change.

"The CBI have pandered to a vocal group of backwoods employers and have given the Government bad advice. However, there is still time for other employers to add their voices to those who have asked the Government to think again."

Bakers act over woman worker's dismissal

BAKERY workers at Ranks Hovis McDougall in the North West are to vote on an all-out strike over the sacking of a woman worker at Wythenshawe, Greater Manchester.

Mrs. Val Dunn, Manchester district president of the Bakers' Union and a member of its executive, was dismissed after one week, allegedly because management could not get adequate references.

The decision to ballot all North Western RHM factories was announced by Mr. Terry O'Neill, national president of the Bakers', Food and Allied Workers' Union, after a meeting of the executive.

Union leaders believe Mrs. Dunn, well-known for her union activities, was harshly treated because she was not allowed to serve the normal one-month trial period when she joined the bakery.

They fear the management's decision could set a precedent since her dismissal, BFAWU members at the Wythensawe bakery have operated an overtime ban, working a 40-hour week.

If the ballot affecting North West RHM bakeries goes against striking, the union will ballot the companies nationwide, calling them to join the work-to-rule. Should this be unsuccessful, all Bakers Federation factories, representing every big baker, will be balloted to support the Wythenshawe action.

Mrs. Dunn's job at the Wythenshawe bakery was her first since losing her post at the nearby Manor Bakery during a strike in January, 1978.

Union officials are upset at management insistence that Mrs. Dunn's case should be dealt with under existing disciplinary procedures, which means she is unpaid, rather than under the grievance procedure.

Penal system for young to be re-vamped

THE GOVERNMENT is preparing new plans for the use of detention centres, Borstals and young offenders' prisons, a Home Office Minister has said.

The whole of the penal system as it affected young people needed re-vamping, Minister of State Mr. Leon Brittan told the Whitby, North Yorkshire, Rotary Club.

"That is going to take place as soon as our plans have been finalised, and those professionally involved have had an opportunity to express their own views."

The attendance centre system was to be made available for girls as well as boys. And the Government was waiting until the two detention centres "of a tougher kind" were opened to see if the regime should be extended.

FINANCIAL TIMES SURVEY

Monday January 7 1980

DENMARK

With its host of economic problems, Denmark could well do without the political paralysis caused by its splintered Parliament. Despite the courageous efforts of Mr. Anker Joergensen, the Prime Minister, to set corrective measures in motion, the country seems to be sliding steadily towards a crisis which only international financial help will resolve.

Need to break political impasse

By William Dullforce
Nordic Correspondent

IF THERE were a prize for *trying awarded to heads of* government Denmark's Anker Joergensen would be a strong candidate. With only minority support behind him in a *splintered and fractious* Folketing (Parliament) he has doggedly persisted in seeking political solutions for his country's severe economic problems.

The question is whether trying is enough. After a devaluation of the krone last November Mr. Joergensen tried to get the Folketing to accept an incomes policy package embodying the most ambitious attempt so far to correct the imbalances in the economy

Even then the Finance Ministry pointed out that follow-up measures would have to be introduced later this year. The compromises Mr. Joer*gensen had to make in* December to secure a majority in the Folketing blunted the impact of the package and will *have brought* forward the need for further intervention.

The time at which the International Monetary Fund may have to be called in to perform deep surgery on the economy is drawing closer. Some Danish economists now believe this will be the only way to break the political impasse.

Denmark's symptoms are an enlarged and seemingly intractable payments deficit, a net foreign debt *equal* to 20 per cent of Gross Domestic Product (GDP), a high level of unemployment and a susceptibility to inflation aggravated by the *link* between wages and consumer prices. Underlying these overt signs are a grossly swollen expenditure on public services and the inadequacy of *manufacturing industry.*

The economic diagnoses and the problems of industry are outlined in other articles in this survey. There is on the whole a fair amount of agreement over the analysis of these issues within Denmark. The difficulties are political. There is, first, the problem of getting a Folketing divided into 10 parties to agree on concerted action. Secondly, there is the relationship between the Folketing and the trade unions.

Three times over the past five years — in 1975, 1977 and 1979 — the Folketing has imposed an *incomes settlement* after negotiations between the employers and the unions had broken down. But these settlements have always been based on *compromises among the* parties, have been grudgingly accepted by the unions and have not laid the foundation for the *expansion of industrial output* which the economy needs.

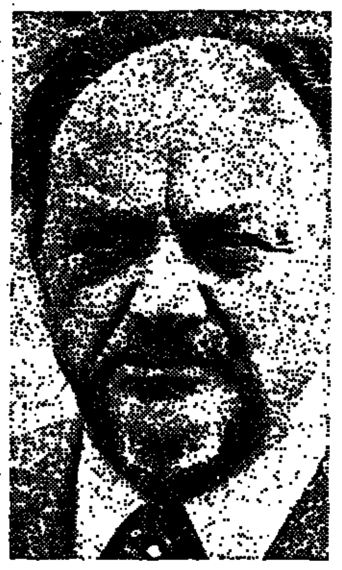
The weakness of the Social Democrat Party in the Folketing and the necessity for it to *come to terms with other* parties has seriously affected its relationship with its natural partner in the labour movement, the trade union federation *LO. The sensitivity of this* relationship has been highlighted in the frequent public collisions between Mr. Joergensen and the temperamental LO chairman, Mr. Thomas Nielsen.

The change of direction in economic policy which any government now has to make is impossible without the co-operation of the unions. Since it is bound to entail wage restraint and a dismantling of the mechanism *which links* wages to the consumer price index. This has been obvious throughout the second half of the 1970s.

Mr. Nielsen has put a high price on LO co-operation in the shape of demands for greater "economic democracy," including a profit-sharing scheme which would call for the setting *up of a central investment fund* under trade union control. This is an almost revolutionary departure from the present system.

Nurtured

Danish industry is essentially small-scale and has been nurtured on the tradition of free private enterprise to a greater extent than in the other Nordic *mixed economies. Mr. Nielsen's* claims have enabled the non-Socialist opposition in the Folketing to make a major *political issue of trade union* power.



Mr. Anker Joergensen

Mr. Thomas Nielsen

Mr. Joergensen has been compelled on the one hand to piece together majorities within the Folketing for essential legislation and, on the other, to secure the co-operation of the LO. He *has been permanently in a cleft* stick.

In an attempt to get out of this position in August 1978 he took the daring step of *forming a coalition government* across the Socialist/non-Socialist barrier with the Liberals (Venstre) who had just elected a new leader, Mr. Henning Christophersen. This move was bitterly and roundly condemned by Mr. Nielsen, who predicted the coalition would not last six months.

In fact it lasted 13 months. But true enough, Mr. Joergensen found that he could not get the LO to swallow the kind of economic action to which the Liberals were willing to commit themselves. The LO also had strong *minority support* within the Social Democrat Parliamentary group.

The government coalition collapsed when Mr. Joergensen *made a separate* deal with Mr. Nielsen in which he traded off profit-sharing and tax reliefs for wage restraint and public spending cuts. His Liberal partners would *not* buy the deal.

Rather to their surprise the Social Democrats gained four seats in the Folketing in the *subsequent election* on October 23. This was probably prompted more by the electors' recognition of Mr. Joergensen's personal efforts than by backing for the party programme. But with only 69 of the 179 Folketing seats the Social *Democrats' position* had not basically changed.

The election eliminated the Communists from the Folketing and trimmed the wings of Mr. Mogens Glistrup's Progress Party. This anti-tax party slumped from 26 to 20 seats, recording its first real setback since it crashed on to the political scene in 1973.

The Conservatives made the biggest gain, advancing from 15 to 22 seats, to bring them on to level terms with the Liberals who were disappointed by their one-seat advance. More*over, the losses sustained by the* Christian People's Party and the Centre Democrats dashed the hopes of the four non-Socialist parties which had declared their *intention of forming a govern*ment.

Trouble

The Folketing still sported 10 parties. Mr. Joergensen was back at the position from which he had started in August 1978, when he tried the coalition with the Liberals. Only this time his economists, the National Bank and in particular Mr. Knud Heinesen, the former Finance Minister who declined to serve in the new Cabinet, were warning him that the country was sliding into a deep economic crisis.

Mr. Joergensen slapped on a price and wages freeze until the end of the year, devalued by 5 per cent, re-negotiated his bargain with Mr. Nielsen and submitted an 18-point package of incomes policy and fiscal measures to the Folketing. Mr. Nielsen let it be known that the package had to be approved as a whole or else there would be trouble.

That was impossible. There was no *majority within the* Folketing for the union-controlled investment fund on which Mr. Nielsen had set his heart, although some industrialists were willing to accept a decentralised profit-sharing scheme. Mr. Joergensen compromised. The unions lost the investment fund but the wage restraint will be less severe than originally planned.

Mr. Nielsen was furious. Relations with Mr. Joergensen are again at boiling point—and Denmark has entered the 1980s with a prescription for curing its ills in which few Danes have *any faith.*

Mr. Joergensen tried an approach based on co-operation with the Right, only to have it blocked by the LO. Then co-operation with the unions was blocked by the non-socialist majority in the Folketing. Where does he go from here?

However much the non-Socialist parties may dislike the idea, the political key would still seem to rest with the unions. Denmark cannot break out of its economic straitjacket without at least a temporary reduction in living standards and a *substantial cutback* in real incomes. This cannot be achieved without union consent.

It might be achieved without Mr. Nielsen's consent. The question is whether he has correctly assessed the price his 1.3m members would demand for their co-operation. Some form of profit-sharing for employees is probably *essential but not* perhaps on Mr. Nielsen's terms. He may well be more militant than the majority of his members.

There could be an opening here for Mr. Joergensen. There *have been suggestions*—indignantly denied—of a movement within the unions to replace Mr. Nielsen. That would in any case not be easy and would take time.

At the same time as it was piloting its incomes policy pack-

CONTINUED ON NEXT PAGE

BASIC STATISTICS

Area 16,629 square miles; (43,069 square kilometres)

Population	5.1m
GNP (1978)	DKr 303.7bn
Per capita	DKr 59,551
TRADE (1978)	
Exports	DKr 65.3bn
Imports	DKr 81.4bn
TRADE WITH UK (1978)	
Exports to:	£962.5m
Imports from:	£841.4m
Currency £ = DKr 11.91	

Political impasse

CONTINUED FROM PREVIOUS PAGE

age through the Folketing Mr. Joergensen's Government had to deal in December with a foreign political crisis within its own Parliamentary group. This arose over NATO's plan to introduce new tactical nuclear weapons to Europe.

Denmark like Norway — stipulated from the moment it joined NATO that it would not have atomic weapons on its soil or have foreign bases there in peacetime. It was not therefore asked to receive the new Pershing and Cruise missiles due for deployment in 1983 or 1984. But the Americans, Germans and British were calling for unanimous acceptance of the nuclear modernisation plan.

A minority within the Social Democrat Parliamentary group did not want Denmark to support the NATO recommendation to go ahead with the nuclear plan, at least not until further efforts had been made to negotiate disarmament with the Soviet Union. The strength of the objections within the group apparently surprised the new Foreign Minister, Mr. Kjeld Olesen.

A party crisis was averted when the Government decided to ask NATO to postpone for six months the decision to go ahead with the modernisation programme. The Danish action aroused considerable irritation among other NATO members, but Mr. Olesen was able to persuade his NATO colleagues to include a reference to the Danish (and Dutch) reservations in the communique announcing the decision to produce the new missiles and the Social Democrat opposition was appeased.

Solid

Denmark's membership in NATO is backed by a solid majority in the Folketing and its defence programme is based on a four-party agreement across the Socialist/Non-Socialist line. There is no evidence of any change in attitude towards NATO among the party leaders.

On the other hand criticism from pro-NATO members of the Folketing that Denmark is not responding as well as most other NATO members to the joint recommendation that defence spending be brought up to 3 per cent of Gross National Product has some foundation, even though the reason may lie rather with Denmark's current economic difficulties than with any doubts about the need for defence. Denmark has been co-operating in NATO plans to prepare airfields and stock material so that reinforcements can be moved into the two NATO north flank countries more quickly in a crisis.

Within the EEC context the Danes are far from happy about Mrs. Thatcher's abrasive methods of obtaining a reduction in Britain's contribution to the Community budget. Mr. Joergensen, in fact, reprimanded Mrs. Thatcher at the Dublin summit for her reference in a heated moment to "my money."

In true Community tradition the Danes believe that Britain's budget problem cannot be dealt with in isolation but must be linked with a number of other outstanding problems. Among these are the pricing of Britain's North Sea oil exports to the other members of the Community and its fisheries policy. In other words the Danes would back a cut in Britain's budget contribution if they got something in return."

Inflation and foreign debt plague the economy

THE DANISH economy is now pinned back by inflation and the country's big foreign debt to an inevitable period of minimal growth, falling real incomes and rising unemployment. Although the Social Democratic Minority Government has shown considerable courage and determination in pushing through an incomes policy which involved the unprecedented step of mid-term amendments to the current collective wage contracts, the best that can be said about these efforts is that they will make 1980 a less disastrous year than it otherwise would have been.

The key problem facing policy makers is the external deficit and the accumulated net foreign debt. The deficit on the current account in 1979 was about DKr 15bn, of which DKr 5bn-DKr 6bn can be attributed to higher oil prices. This is on the upper side of 4 per cent of the Gross Domestic Product (GDP) and it brings the net foreign debt to well over DKr 70bn, or about 20 per cent of GDP.

The debt problem has been with Denmark for over a decade and each year questions have been asked about the ability to go on financing such large external deficits, but so far there have been no problems. As a stable Western democracy with efficient manufacturing and agricultural industries, Denmark has found bankers only too happy to lend it money.

But the knowledge that this cannot go on for ever was rubbed home last autumn when Mr. Knud Heinesen, Finance Minister from 1975 until last October, and now serving as chairman of the Social Democratic parliamentary group, publicly warned that if the ever-mounting deficits were not checked it would only be a couple of years before international banks declined to lend on acceptable terms and the country found itself having to appeal to the International Monetary Fund (IMF), a step which Mr. Heinesen described as the edge of the economic abyss.

The Government's incomes policy measures introduced in November were intended originally to bring the projected increase in wages in 1980 of about 15 per cent down to seven per cent, but in the form in which they were finally accepted most economists expect wages to rise in 1980 by about 10 per cent. This is better than 15 per cent, but even allowing for the five per cent devaluation of the Danish krone on November 30 against the other European Monetary System (EMS) currencies it will not bring about a significant improvement in export competitiveness, and in view of the latest round of oil price increases not much improvement in the current balance of payments can be expected next year either.

As for the foreign debt, not only will it go on rising in nominal terms for several years to come, but according to the Government's own projections (made when wages were still expected to rise by only seven per cent a year) it will also rise in relation to the GDP.

The main elements in last month's incomes policy are a freeze on new wage, salary and similar income increases not contractually agreed prior to November in the period to March 1981. There is also a freeze on prices, profit margins, dividends, fees and charges by the professions and the public authorities.

In addition there were a series of redistributional tax changes, all part of the need to compensate the trade unions for wage restraint by hammering all other incomes as well. Corporation tax goes up from 37 per cent to 40 per cent, a 10 per cent investment allowance on machinery and equipment is ended, wealth tax almost doubled, a new form of property tax introduced, the tax on capitalised private pension savings schemes goes up from 25 to 40 per cent, and the deduction against income for interest on private debt will be changed to a deduction against assessed income tax, which will hit home owners with large mortgages.

While the whole point of the package, including the devaluation, was to improve the competitiveness of Danish industry, the actual impact of a situation in which costs will go rising relatively rapidly but prices will be frozen, and in which higher taxes and reduced investment incentives will apply to business, is hardly a recipe for business revival.

Forecast

The Finance Ministry projections which accompanied the incomes policy package in its original form—i.e., assuming wage increases of only 7 per cent a year—forecast an increase in the GDP in 1980 of 1 per cent, rising to about 3½ per cent a year in the years 1981-1983, mainly under the influence of export increases in real terms of about 7 per cent a year and business investment accelerating steadily from a rise of 1 per cent in 1980 to 7 per cent in 1983.

But 1980 will be a hard year. Private consumption is expected to fall by 3 to 3½ per cent, imports by 2 per cent and public investment by 2½ per cent, while exports are to rise by 6 per cent, public consumption by 3½ per cent and private non-residential investment by 1 per cent.

Unemployment is expected to rise from an average figure of 165,000, or about 6½ per cent, to 175,000 in 1980 and 190,000 in 1983—but without the incomes policy says the Finance Ministry — unemployment in 1983 would have been about 250,000.

The stabilisation of the current balance of payments deficit will come about by a reduction in the deficit on the balance of goods and services from DKr 10bn in 1979 to about DKr 1½bn in 1983, but the deficit attributable to net interest payments, reflecting the foreign debt, will rise from about DKr 6bn in 1979 to DKr 12bn in 1983. Current account deficits of DKr 20bn and over by 1983 were forecast in the absence of the incomes policy measures.

Monetary policy has for over a decade been based on the control of credit expansion, with a ceiling on the loan commitments of the banks as a vital instrument and interest rates high enough to ensure that short-term trade credits and a substantial proportion of medium-term business investments are financed in foreign currency, helping to finance the current external deficit, although since 1975 an increasing share of the external deficit has been financed by Government borrowing abroad.

Since 1975 there has also been a substantial budget deficit, averaging on operating account about 3 to 4 per cent of GDP but generating a total borrowing requirement of 10 to 11 per cent of GDP. The Government has succeeded in financing most of the borrowing requirement by sales of Government paper to the non-bank public, though there was a lapse in the second half of last year, when monetary financing of the deficit exceeded DKr 10bn, or more than double the monetary financing resorted to in the whole of 1978.

The deficits have helped push up the effective yields on bonds to 17-17½ per cent on average over the past couple of years, but the central bank has managed to keep the broad definition money supply (M2) increase to about 9 to 10 per cent, just about in line with the rise in nominal national income.

Struggles

The incomes policy package, although it will trim both public spending and revenue in nominal terms, will have little influence on the size of the borrowing requirement. The budget deficit before loan transactions will be in the region of DKr 11½bn, about DKr 1bn lower than in 1979, and the gross borrowing requirement, including refinancing of loan redemptions, will also fall by about DKr 1bn to DKr 38bn. The central banks struggles to control the money supply without further rises in interest rates will clearly not be any easier from now on.

As a correspondent who has lived in Denmark for 16 years, I find much to admire about the way the country is run, especially at the micro level—the efficiency of the social services, the high education standards, the resilience and high productivity of its industries and the sound thinking of its labour relations in all but the unions' self-defeating insistence on inflationary wage increases.

It is sad therefore to have to conclude at the beginning of this decade that the country's leaders have still not found, or been able to agree on, anything more than half-solutions to the destructive problems associated with inflation and indebtedness —and solutions indeed which may defer the crunch for a few more months or years but will only make the crunch worse when it comes. And that, as Mr. Heinesen warned, may not be far away.

Hilary Barnes
Copenhagen Correspondent

Price control threat to pharmaceuticals

THIS SURVEY coincides with the implementation by the Danish Government of various economic measures—in particular new and increased taxes —which the country's industry regards as inimical to its future. As it happens, the pharmaceuticals industry is in addition once again battling to prevent the monopolies authority from winning the right to control prices and profit margins on individual preparations. If it loses this battle it feels that its future will be seriously impaired.

The industry has succeeded over the past 30 years in becoming a major export industry. Total production is worth about DKr 2bn, with almost 80 per cent exported. As total imports of ready-to-sell and semi-manufactured pharmaceuticals are considerably smaller than exports, the industry makes an important net contribution to export earnings.

Small

It is nevertheless a small industry. There are only eight member companies of the pharmaceutical manufacturing association, and one of them Novo Industri, with 1979 sales in the region of DKr 1.2bn, stands head and shoulders above the others.

Pessimists regularly predict that it will not be long before the smaller companies disappear, unable to bear the costs of research and documentation (the blanket word covering the process of convincing the authorities that new preparations are safe to introduce). But the smaller outfits themselves are far more hopeful about their future.

They admit that with small research budgets there is an element of luck in coming up with new or improved preparations (and in not having an existing line knocked out of the market by a competitor's improved version), but the research and development problem peculiar to pharmaceuticals are a world-wide problem and the smaller companies see the solutions arising through the growth of co-operation with manufacturers in other countries.

Danish companies are constrained anyway, co-operate with counterparts elsewhere in the process of conducting field trials, and as they do not have the financial strength to embark on an independent international marketing campaign, they sell licence rights to foreign companies. This arrangement operates both ways, to mutual benefit, and both sides hope that this will prevent the entire market being taken over by a few international giants.

They will, however, find it difficult to operate the system if the monopolies authority wins its current case against the idustry. In 1977 the monopolies authority, under political intruction, called on several companies to reduce the price of various products on the grounds that they were making excessive profits. The Monopolies Appeal Board upheld the appeal by the companies, taking the view that the companies must be able to make a reasonable overall profit. The industry concluded after this that it had nothing more to worry about.

Attack

But last autumn the authorities returned to the attack, calling on Ferrosan, which besides pharmaceuticals also specialises in vitamin preparations and disinfectants, to cut the price of an imported contraceptive pill by 30 per cent. The test case will have wide repercussions. If the authorities win the case they will be able to bring cases against other Danish and foreign companies. Ferrosan has appealed, and the Appeal Board is expected to report in the spring.

Ferrosan's 1978 earnings before depreciation were DKr 16.4m on sales of DKr 293m. Pre-tax profits were DKr 11m. Pre-tax earnings gave a return of 3.75 per cent on sales, 15.2 per cent on equity capital and 6.4 per cent on total assets. The company warned that if it were not allowed to continue its profitable sale of contraceptive pills it would have seriously to reconsider whether it could take the risk of going ahead with a DKr 35m factory extension on which building is due to start this spring.

The monopolies authorities claim that they have the right to information on how prices of imported products are established, including the right to require information from parent companies abroad of companies operating in Denmark. The Danish companies see not only their immediate profit position threatened but their management autonomy as well. If managements cannot set their own price levels they cannot determine their own research and development or investment budgets either.

The smaller companies have substantial research budgets in relation to sales, but much of it goes to developing new versions of existing drugs or improving the quality of existing preparations. H. Leo, H. Lundbeck and Co., and Novo H are three companies which have a research effort which is directed primarily towards finding and establishing new products and bringing them on to the market.

While all of these are big exporters, Novo is much more. It is one of the handful of Danish companies which are well-known internationally for their technological achievements. It is one of the world's leading insulin producers and a front-runner in the development of insulin and insulin research.

Insulin is the most important of its range of pharmaceuticals, which account for rather more than half of group sales. The other main division is the production of industrial enzymes, in which it is also an important world producer. Among the most interesting projects in which it is engaged is the use of enzymes to convert manioc starch to alcohol as part of the Brazilian programme to substitute alcohol for petrol.

Exports by the Danish industry per head of the population are among the highest in the world (though Switzerland easily leads the field on this reckoning). It traces its post-war success to several factors which continue to give support to the industry.

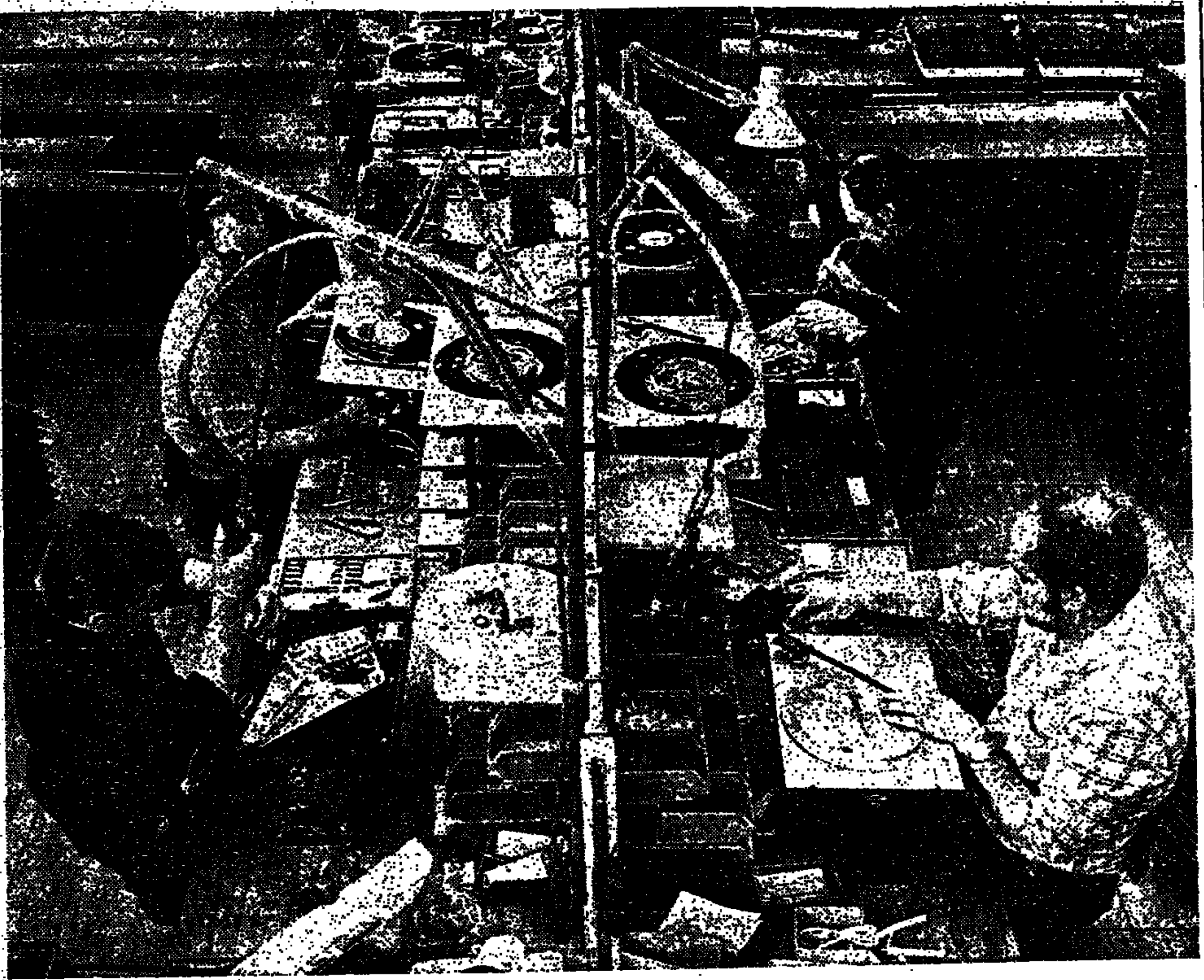
The requirements of the agricultural sector and the raw materials derived from food processing are an important source of inspiration. Insulin production is a good example of the links between pharmaceuticals and farming.

High educational standards (although oddly enough the country has no academic grade training for pharmacologists) are another key point, together with the rapid post-war expansion and quality of the hospital services. The latter has enabled the companies to carry out reliable field trials, achieving results which are widely accepted abroad (indeed Denmark is one of the countries where foreign manufacturers are keen to be able to test products).

If they are not killed off or maimed by the misdirected (as the companies see it) efforts of the monopolies authorities, the companies are hopeful that these factors and their own ingenuity will enable them to continue to flourish.

Hilary Barnes

DENMARK III



Electronics is among the advanced technology industries where Denmark has established a useful presence. Here record players are being assembled at the Struer factory of Bang and Olufsen, which rates Britain as its biggest single export market

Industry too small for its burdens

"OUR INDUSTRY today is reasonably efficient, has a reasonable economic base and the capacity to develop to a reasonable degree. Unfortunately, it is too small and is not developing rapidly enough to create greater output, employment and foreign exchange."

The speaker was Mr. Georg Poulsen, chairman of the Danish Metalworkers' Union. The occasion was a meeting of the governing body of the Industrial Council (Federation of Industries equivalent). His message was not disputed. Danish employers and unions agree about the basic problem of Danish industry: it is simply that it is too small.

Denmark is widely regarded abroad as an agricultural country with highly efficient farmers. While it is true that farm produce continues to make a major contribution to the country's exports, it has long been overtaken by industry, and it is to industrial production that the Danes must look for the economic expansion needed to sustain their high standard of living and social services.

The strength of Danish industry is that it has not been heavily subsidised, even during the recent business recession, and has operated largely under free market conditions. Small companies provide the bulk of output. If they run into trouble they go bankrupt.

Employers have the right to lay off workers, with the State taking charge of maintaining the living standards of the unemployed. The surviving companies are therefore, as Mr. Poulsen put it, "reasonably efficient."

Employment figures, however, indicate the inadequacy of Danish industry in terms of size. It has never employed more than 15 per cent of the country's labour force, a low proportion for an industrialised nation.

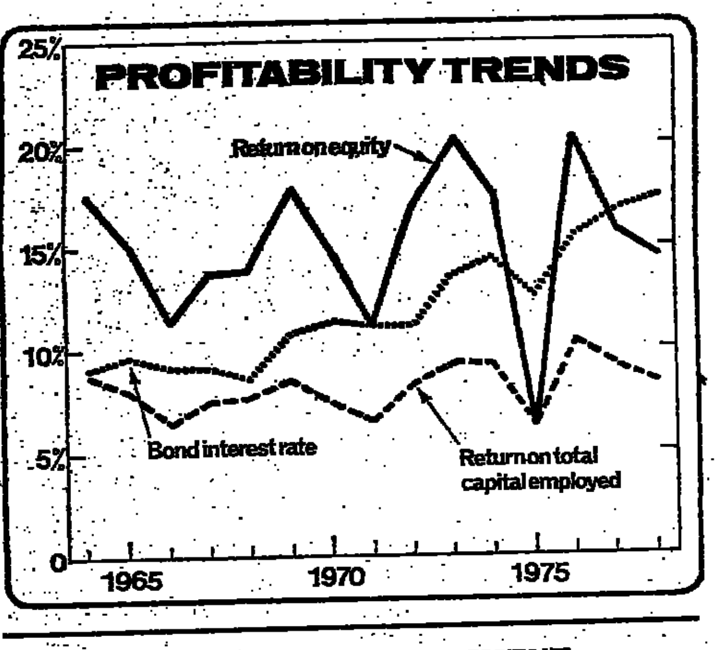
At its peak in 1973 industry employed 428,000. Last year the decline in industrial employment was broken. Companies took on 10,000 new employees, but that brought the total to some 380,000 only.

The picture of industrial employment must be set against the employment trends in agriculture and the public sector. Since World War II some 375,000 jobs have been lost in farming. From the beginning of the 1960s the numbers working in the public sector have grown from about 500,000 to over 800,000.

Consensus

By any measure Danish industry is at present too small to support the increased burden of expanded social services. One measure is the vain struggle during the past few years to bring down the deficit on the country's current account. However, a consensus has emerged that Denmark has to "produce" its way out of its present economic problems.

This calls first for an increase in industrial output corresponding to some DKr 15bn (£1.27bn, $2.8bn) in foreign exchange earnings. In Mr. Poulsen's estimate, which was not challenged by the employers, to achieve this goal a further 100,000 jobs would have to be created within the export industries and productivity would have to be improved by 4 to 5 per cent a year compared with the 2 per cent recorded in recent years.



INDUSTRIAL INVESTMENT

(DKr bn)

	1976	1977	1978	1979
Buildings	1.75	1.83	1.67	—
Machinery and equipment	3.64	3.70	3.75	—
Total	5.39	5.53	5.42	6.0*

* Estimate.

The accompanying table gives industrial investment during the 1976-78 period and the official estimate of investment in 1979. During the three-year period investment averaged DKr 5.45bn a year. The jump to DKr 6bn last year was accompanied by an increase of some 10,000 jobs within industry.

A significant feature of the figures, however, is the continuing decline in investment in building and the emphasis on spending on machinery and equipment. Companies have been looking for quick returns on their capital and have been going for labour-saving investments. Investment of DKr 5.45bn a year has not provided for any substantial expansion.

One reason for industry's reluctance to invest in expansion may be found in the accompanying diagram, which illustrates the cost of the capital they need to raise. While bond rates have been steadily rising, the return on capital invested by companies has remained largely unchanged.

Interest rates have been kept deliberately high in Denmark so as to induce companies to borrow abroad and help in covering the payments' deficit. But with rates nudging 18 per cent, only the most efficient projects are likely to attract investment and companies taking up loans will be aiming to obtain quick returns.

The interest rate shown on the diagram is for mortgage (housing) bonds. A special feature of the Danish capital market is the dominance of these bonds. The bond market far outweighs the market in company shares. It has provided the Danes with an enviably high standard of housing. But it means that housing is at the same time a formidable competitor for loan capital.

Moreover, housing is favoured by the tax system, which allows borrowers to deduct the interest they pay on housing loans from their taxable income. In its recent economic emergency package the Social Democrat Minority Government has tried to right the balance slightly by curbing the interest deduction allowance.

In his address to the industrialists Mr. Poulsen postulated that industrial investment needed to be trebled. He assumed that in current prices it costs DKr 1m to create a new job in industry and that if the target was to establish 100,000 new jobs over the next 10 years, an extra DKr 10bn a year would have to be invested in addition to the present level of roughly DKr 5bn a year.

Magnitude

Not all economists would accept Mr. Poulsen's premise that as much as DKr 1m must be invested to provide work for an extra employee in industry. But his calculation illustrates the magnitude of the task. An alternative would be to lower Danish industry's cost level relative to those of its competitors. This would mean in effect a heavy reduction in real incomes, for which it would be extremely difficult to obtain political backing.

On the other hand, no industrialist would quarrel with Mr. Poulsen's conclusion that a trebling of the present investment level calls for an analogous trebling in the profit rate. Finance for Danish Industry (FDI) in fact believes that the key issue is not the availability of investment capital but the need for higher profitability.

The FDI issues an annual analysis of the performance of the companies to which it supplies finance. The latest study covered 637 concerns, whose combined sales of DKr 23.2bn corresponded to just under 18 per cent of total industrial turnover.

The customers of the FDI are mostly younger expansive companies which in recent years have borrowed and invested fairly heavily. Their average return on total capital employed, measured as earnings before tax and before interest charges, fell from 10.5 per cent in 1976 to 8.5 per cent in 1978. Net profits declined from 4.9 per cent to 3.7 per cent of sales during the same period.

The picture of Danish industry portrayed by the FDI is "characterised by stagnating earnings, which in the nature of things has restricted the [companies'] desire and possibility of expanding through wider investment in new plant."

Funded

In 1979 the FDI lent some DKr 900m to its clients, of which DKr 700m were so-called K-credits. These credits are funded by foreign loans taken up by the Government, which carries the exchange risk and passes them on to export companies through FDI at 10 per cent interest.

While the FDI believes that these credits have had a positive effect on investment, it finds that the interest rate is a relatively modest cost factor in companies' calculations. If a basis for real industrial expansion is to be created "action must be taken on the only significant cost factor we can ourselves influence, namely salaries and wages," it states.

This is precisely what Mr. Anker Joergensen's Government tried to do in its latest package of emergency economic measures. It aimed to reduce the automatic linkage between consumer prices and wages which has hitherto ruled in Denmark and to restrain the growth in industry's labour costs.

But if the unions and industrialists largely concur in the foregoing analysis of Danish industry, and even on the need for greater wage restraint, conflict erupts over the trade-off which has to be paid for the reduction in labour costs. Mr. Poulsen told the industrialists that the workers, who would have to contribute the savings needed to boost investment, would also want rights to co-ownership and co-determination.

Thus as in other countries where the necessity of expanding industrial output to meet the costs of the welfare state has now been generally recognised, two opposing attitudes are emerging in Denmark.

The Socialist line calls for greater worker participation and control in industry as the price for higher industrial capital spending. The Liberal line sees this approach as a threat to the free play of the market which it believes has so greatly benefited Danish industry.

Denmark lacks big groups. Small companies employing between 20 and 100 account for 60 per cent of industrial employment and they, it is argued, would not be amenable to the kinds of control implied in the Socialist line.

The Government has already compromised over its economic package. Further compromises will no doubt be needed in the next couple of years. The danger is that political concessions will be made to the detriment of the main goal—industrial expansion.

William Dullforce

Left: Mr. Simon Spies, founder of Conair. Right: Pastor Eilif Krogager, founder of Sterling Airways

Private airlines flourish with tourist traffic

KASTRUP, Copenhagen's airport, is the hub of Scandinavian Airlines System's services, and civil aviation in the area is dominated by the international airline (SAS) jointly owned by the three Scandinavian countries—Denmark, Norway and Sweden. But under the shadow of SAS's wings privately owned Danish air carriers have built up flourishing businesses which bear witness to the Danes' entrepreneurial skills.

In fact, Sterling Airways, Maersk Air and Conair claim to carry more passengers out of Scandinavia in a year than SAS itself. Their relationship with the major airline is a delicate one. Maersk Air co-operates with SAS in Danair, the Danish domestic line, and operates charter flights for Vingresor, SAS's tour subsidiary, but both Maersk and Sterling have been chipping away at SAS's monopoly rights.

Sterling is hoping for assistance from the EEC Commission in Brussels in opening the way for it to compete against the established European airlines by flying scheduled flights at cheaper ticket prices—a Laker operation for Europe. Maersk is pressing the Scandinavian governments to revise their charter regulations so that it can move into the so-called split charter business, picking up cargoes in many lots from several different points.

The private Danish aviation companies have not been favoured by local legislation. On the contrary, the Scandinavian countries have co-ordinated their regulations to the advantage of their own airline.

One private carrier was heard to comment bitterly that SAS has more protection than any other major national airline with the exception of Russia's Aeroflot.

The source of the private Danish companies' success is the winter search for sun. The companies have grown as charter carriers to the Danish tour concerns which from the late 1950s onwards have been flying hundreds of thousands of Scandinavians to Spain, Majorca, the Canary Isles, Greece and other southerly climes. They are now carrying Germans and Britons as well.

Colourful

Two colourful individuals originated this business. The first is Pastor Ejlif Krogager of the small town of Tjaereborg, who started by organising bus tours to satisfy his own and his friends' lust for travel after the war. Hitting on the idea of putting a seat on an aircraft together with a hotel bed and offering customers a package, he founded the company which bears the name of his parish.

The second character is Simon Spies of the untidy beard—the permanent escort of pretty secretaries, owner of the gold-topped cane (for which he once bought a seat in the Royal Theatre in Copenhagen) and other eccentric luxuries. Spies is happy to keep his operation at its present size with a capacity of around 500,000 passengers a year and is not planning to follow Tjaereborg into the German and British markets.

He earned DKr 107m before tax and showed a net profit of DKr 63m on sales of DKr 697m in 1978-79. If the internal sales of the group's own air charter concern, Conair, are included, total turnover was over DKr 1bn. 1bn.

Mr. Spies set up Conair in 1965 when he took over an aviation company that had gone bankrupt. He bought five Boeing 720s for DKr 50m cash in 1970 but has not been interested in expanding Conair's operations beyond the needs of his own tour business.

Pastor Krogager started Sterling Airways in 1962 by buying two aircraft from Swissair but he quickly started to sell its services outside his own Tjaereborg concern. In 1963 and 1964 his aircraft flew charter flights for Spies; Sterling has always operated as an independent unit.

Its independence was underlined after the Pastor handed over the daily control of Tjaereborg to a new managing director who put the contracts for his tours out to competitive bidding by the charter companies. Maersk Air now does considerable business with Tjaereborg.

Sterling, however, retains 37 per cent of the Scandinavian charter market and turned in pre-tax earnings of just under DKr 40m on a DKr 675m turnover last year. The figures do not include Sterling's subsidiary operations such as Aero-Chef, the catering unit, its forwarding company and an air training centre. Addition of their combined turnover would put total sales last year to the DKr 750m level.

Maersk Air's entry was rather different from that of Sterling and Conair. It belongs to the A. P. Moller shipping and industrial group which originally saw its venture into aviation as operations into another branch of transport.

Maersk aimed at the freight market but when it was blocked by Danish regulations from developing a home base for freight charter it turned to scheduled domestic flights, including the service to the Faroe Isles, in partnership with SAS and to tour charters.

It has a 38 per cent stake in Danair, in which SAS holds a controlling 57 per cent, the third partner being another small private Danish operator, Climber Air. Maersk Air's inclusive tour charter work still accounts for more than half its turnover, but its importance has been declining while outside leasing operations have been expanding.

GROWTH OF TRAFFIC
(m revenue passenger kms flown)

	1970	1973	1975	1978	1979
Sterling	2,928	—	3,888	4,633	4,435*
Maersk Air	—	566	1,349	2,190	—
Conair	—	1,505	1,579	1,152	609†

* Estimate. † Half-year. Source: Danish Ministry of Public Works.

Maersk has so-called "wet leasing" contracts with Iraq and Tunis, has been collaborating with Air Lanka and has even had contracts with Air France and British Airways. It also operates a helicopter service for the Danish North Sea oil operations in which its parent A. P. Moller has a major stake. Maersk Air is a more diversified aviation company than either Sterling or Conair.

Following the A. P. Moller tradition it publishes no profit and loss account but managing director Johan Paus states that growth has averaged 25 per cent a year over the past decade. Even after allowing for the effect of inflation that represents a substantial expansion.

Sterling, Maersk Air and Conair together totted up just under 8bn revenue passenger kilometres in 1978, as the accompanying table shows. There was a decline last year, as the oil price rises began to be reflected in the prices of package tours, and the three companies anticipate a further drop in tour charter business this year.

Sterling's managing director Anders Helgstrand talks of "throttling back" operations while Johan Paus feels the need to put "the brakes on" Maersk Air, which he calculates is "well into its growth curve." Both men however, hope the tour charter business will pick up again in 1981.

Sterling at present operates a fleet of five Boeing 727s, seven Caravelle 12s, six Caravelle 10B Supers and three small taxi aircraft. Three of the Caravelles are leased out. It has been selling old aircraft and buying new, but Mr. Helgstrand calculates that it will have 230 fewer seats available this year and by the end of 1980 it will have three aircraft fewer than at the start of last year. But it will get a new Boeing 727 in the spring of 1981.

Fleet

Maersk Air has been "rolling its fleet forward," selling off older equipment at a profit and buying five new Boeing 737-200s, an aircraft with short take-off and landing characteristics, low noise level and low fuel consumption which Mr. Paus says was produced by Boeing to meet the specifications of Maersk Air and the Norwegian Braathen company. Maersk will have a fleet of four Boeing 720Bs and eight 737-300s, with options ot take more of the latter, depending on the state of the leasing market.

The private Danish aviation companies will very probably have some spare capacity in the 1980s. Flexible and enterprising as they may have been in leasing out and in timing sales and purchases of aircraft the situation will make them all the keener to move into other kinds of operation where they claim to be able to offer cheaper services than the scheduled airlines.

The Scandinavian authorities are on the verge of permitting Maersk Air to operate a split charter service. A committee of senior civil servants has recommended Ministers to ease the present regulation, which states that an aircraft can be chartered by only one person, so as to allow seven charters to share an aircraft, but with a minimum cargo weight of 500 kg for each charterer.

They have also suggested that split charters be confined to areas of the world not at present served by SAS scheduled flights. Maersk Air, the committee suggested, could operate to Australia, New Zealand, Mexico and Guatemala. It would not be allowed to fly the choicer routes to places like Nigeria and Hong Kong. Mr. Paus has commented caustically on this limitation.

The problem for the Danish authorities is that they have to get agreement from the Norwegians and Swedes for any alterations to the regulations. The three countries co-ordinated their legislation in the interests of SAS.

This was initially an important advantage for the private Danish carriers because it allowed them to operate in the Norwegian and Swedish markets as well as their own: they could not otherwise have grown to their present size. Now, however, it is not easy for the Danes to obtain changes in the joint charter flight regulations, which would favour their private companies against SAS.

SAS too has been responding to the challenge from the private companies. It has invested in aircraft which can carry freight as well as passengers. In 1978, when the authorities were ready to change the freight charter rules, SAS introduced lower freight tariffs and managed to get a decision delayed.

Verdict

Sterling has not made a bid for the freight charter market but is fighting for scheduled flights. Two years ago it was blocked from flying Copenhagen-London flights for DKr 600 on a Skytrain system and appealed to the EEC Commission. It hopes for a verdict some time this year.

Mr. Helgstrand believes that Sterling will eventually fly scheduled flights at cheaper prices than the major airlines even if it takes another 10 yaers to win the right. Sterling could fly the Copenhagen-London route at half the present scheduled price and make a profit, he claims.

W.D.

Maritime sector fighting hard

THE INTERLOCKING of Danish shipping and shipbuilding is a source of strength and flexibility which has helped both to survive the recession of the past few years more successfully than the shipping fleets and yards in some neighbouring countries. This has been achieved with far less State support than that provided for, say, the Swedish and Norwegian industries.

Of the eight main Danish shipyards seven belong to shipping groups. Their capacity has been cut but so far none of them has been closed down, mainly because they have received new orders from their associated shipowners. In turn the yards' ability to build specialised craft has helped the shipowners restructure their fleets to suit the changing market.

One cannot be over-confident about the survival of all the Danish shipyards and shipping companies. Several yards badly need new orders. The fate of the Burmeister and Wain yard in Copenhagen last year hinged on a Government export credit guarantee to enable it to obtain contracts for five new bulk carriers. There were bankruptcies among the shipping companies. But when their record is put alongside that of other countries, the Danes can justifiably claim to have demonstrated the resilience of the private enterprise system.

In fact 1979 was not too bad a year for Danish shipping at all. Freight rates went up for product and bulk carriers. As the industrialised countries built up stocks of oil, all the large tankers of the A. P. Moller company were back in business. The improvement in shipping started in the autumn of 1978 and in some trades freight rates doubled in 1979.

Earner

The result is that Danish shipping continues to be a major currency earner at a time when the economy is in crisis and export income is desperately needed to bridge the country's current account deficit. In 1979 the Danish shipping companies brought in gross earnings of some DKr9.5bn (£800m, $1.76bn), and possibly as much as DKr10bn.

This is close to 9 per cent of Denmark's gross foreign exchange earnings and about half is net export income. Shipping in fact is the country's third largest export earner and has maintained that position right through the world shipping crisis.

Inevitably the Danish shipowners have felt the impact of that crisis. Since the autumn of 1978 seven shipping companies have had to shut down and an eighth has sold off all its ships. The most dramatic of these incidents was the collapse last year of Dansk-Fransk Lines, a medium-sized shipping concern which had been in existence for about three-quarters of a century and had a special interest in the West African trade.

During the first 10 months of 1979 the Danish merchant fleet declined in both the number of vessels and tonnage. Shipowners sold abroad 91 vessels and five were broken up or lost. Against this 19 new ships were commissioned and five were bought second-hand.

The net result was a loss of 72 vessels or 203,000 dwt, leaving the Danish fleet on November 1 with a total of 786 vessels of 8.52m dwt. In tonnage this is actually 9 per cent more than when the shipping crisis started in 1975.

The shipping companies as a whole have been feeling a cash shortage. This is evidenced by the shipowners' request to the Government to arrange for a two-year moratorium on debt repayments. The shipowners also wanted the Ship Credit Fund to be allowed under a National Bank guarantee to raise a maximum of DKr 2bn abroad over two years, to see the shipping companies through their cash difficulties. The Government did not respond.

The DKr 2bn was a theoretical figure and not all companies would have taken advantage of the loan scheme, but it is a pointer to the extent of the liquidity shortage. Danish shipping operates with high labour costs and "flagging out," the transfer of ships to the flags of other countries, has been relatively limited. Even with the recent increases in tanker rates, for instance, few tankers earn enough to cover both operating

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Farmers incensed by new land taxation

AFTER A two-year boom in output, investment and earnings Denmark's farmers are now feeling the impact of a financial squeeze.

If it were just a squeeze on their incomes they might have borne it stoically until things improved again, but for the first time since 1945 their capital assets are being squeezed as well. This has had a dramatic effect on the inflation-financed mechanisms by which younger farmers with large fixed interest mortgage debts have in the past been able to keep themselves going.

The value of farm propertie suddenly and unexpectedly ceased to rise last year, partly as a result of new legislation which means that only a person with agricultural training can acquire a farm. Newly established farmers, with large mortgages and bearing the cost of modernisation investments, have rarely been able to make ends meet for the first few years until the inflation of prices has eaten into the real value of the fixed interest debt, but they have been able to finance their losses with security in the inflationary increment in the value of their farms. Last year many of them suddenly found that they could no longer borrow more money.

Under this twin threat to their livelihood, farmers in Jutland attracted 4,000 to a meeting at the end of October to protest against the alleged passivity of their own leaders in face of the problems. Not even in the 1960s, when the farm population was decimated after the formation of the Common Market closed some of their main export markets, was there a comparable show of anger by the farmers.

Farmers took their tractors to town to protest at the new land tax, blocking the streets of Copenhagen as they converged on the Parliament buildings

Stiffened

If nothing else, the protests stiffened the resistance of the leaders of the Agricultural Council, the umbrella organisation which includes all the farmers' organisations, when the farmers received a new slap in the face from the Government. Following the 5 per cent devaluation of the krone and the Green krone on November 30, the Government proposed an 11 promille special land tax on farms to cream off the theoretical DKr 800m gain in farm incomes resulting from the devaluation. The Government argued that as everyone else was being expected to show income restraint, it was only fair that the farmers did too.

Declaring that the farmers' prospects were worse than at any time since the early 1960s, or even in the agricultural crisis of the '30s, Mr. H. A. O. Kjeldsen, president of the Agricultural Council, went to war on this proposal. At the time of writing he had persuaded the Government to reduce the tax to seven promille.

The farmers feel that the land tax is the last straw. Generally high Danish cost—and specifically the mortgage interest rates, which for farmers average about 18 per cent—have put them at a disadvantage in relation to their Continental competitors for several years. The devaluation might have enabled them to claw back a bit of the difference. What to the farmers seemed particularly unfair was that their incomes have fallen over the past year anyway, and are likely to fall in 1980 as well, in nominal as well as real terms.

Gross factor income (GFI-sales income less the cost of inputs and changes in the value of inventories and herds, which defines what is available for investment and private consumption) fell from DKr 14bn in the year ending June 30, 1978 to DKr 13.9bn in the following year. Real incomes fell by 3-5 per cent, according to the Copenhagen University Institute of Agricultural Economics, which has also predicted a decline again in 1980, although following the devaluation nominal GFI may stabilise.

The income boom in 1977 was caused by a variety of factors including a bumper good quality harvest and improving producer prices for animal products. Investment was also stimulated by a number of changes made by the Government, not least the introduction of a system for guaranteeing farmers against exchange rate risks for part of their foreign exchange loans. The two factors caused a near doubling of investment in pig farms from 1976 to 1978, although the relatively high investment in dairying in 1974-76 tailed off sharply at the same time.

The farmers were taken aback by the land tax plan, partly because it seemed an extraordinary treatment to mete out to a major export industry when the Government's entire strategy is based on stimulating exports.

Agricultural exports, including canned meat and canned and powdered milk, malt, sugar and mink pelts, account for about 32 per cent of total commodity exports of about DKr 25bn in 1979.

Pigmeat is the largest single item, worth about DKr 6.5bn in 1979, followed by cheese and butter DKr 4bn, beef DKr 2.9bn, canned meat DKr 2.5bn and canned and powdered milk DKr 1.5bn (the figures are provisional). Seed exports at DKr 300m do not loom so large, but Denmark is in fact one of Europe's largest seed suppliers, demonstrating that high quality is associated with its full range of products, not just bacon and butter.

Production

Last year milk production, under the influence of EEC policies, declined slightly from 3.99m tonnes for the first nine months to 3.92m tonnes. Beef production rose by about 7 per cent to 205,000 tonnes and pigmeat production by about 11 per cent to 698,000 tonnes. In the whole of 1979 well over 13m pigs were slaughtered compared with 11m in 1977 and 12m in 1978—easily a record.

But producer prices did not develop satisfactorily. Milk prices rose by about 2 per cent, beef prices were unchanged and pigmeat prices fell by about 6.5 per cent for the first nine months of the year, so that the seemingly satisfactory increase in agricultural export income of about 12 to 13 per cent did not bring much benefit to the farmers.

Pig farmers, in this era of capital-intensive and fully automated pig houses, are extremely sensitive to price changes, even without changes in operating costs. As it happens, costs also increased last year, the ratio of the pigmeat price to fodder barley falling from 8.7 to 7.7 on average for the first nine months. As a rule of thumb, the farmer only makes a satisfactory return when the ratio is nine or over.

The 20 per cent pig production increase over two years has also increased producers' debt to feed suppliers, and with interest rates starting at about 20 per cent for three months' credit and compounding to over 25 per cent after this it is a significant factor in the overall balance.

Not surprisingly, some pig farmers feel they made a bad mistake when they accepted the urgings of their leaders to increase production, but ESS-Food, the pigmeat export association, is unrepentant. It sees the present problems as largely cyclical, and as it has been highly successful both in holding on to old markets, such as the UK bacon market, and developing new markets, in Continental Europe, Japan, Malta, Venezuela and Argentina, it is confident that there is a profitable future ahead.

Despite the difficulties which the farmers face today, the prospects for the industry do not look as bad as the farmers' leaders are painting them.

Substantial investment in 1972-73 and again over the past two years have brought the primary producing as well as processing industries up to a high level of efficiency and there are no threats to the basic factors which have made Danish agriculture an export success

These might be defined as the very high degree of organisation, which has ensured among other things the production of not only top quality, but uniformly top quality, products and facilitated immaculate veterinary and hygiene standards, combined with the almost universal self-ownership, which has provided the incentives for individual efficiency. These are the enduring characteristics of Danish farming, and they will not be lost because of temporary financial problems.

H.B.

Maritime

CONTINUED FROM PREVIOUS PAGE

and capital costs.

On the other hand tankers now account for no more than about 10 per cent of gross Danish shipping earnings, about half their previous share. The liner trade accounts for about half gross earnings. Liners experienced a higher load factor last year, while the shipping conference tariffs ensure them of stable freight rates.

The rise in rates for product carriers has also helped. The Danes have been building up their product carriers fleet over the past few years and it is estimated today to account for about 14 per cent of the total tonnage. East Asiatic, for instance, had to take over two carriers built by its Nakskov shipyard a couple of years ago, when Greek owners refused to accept delivery. It has been operating them at a good profit and is now expanding its product carrier fleet.

In the event the improvement in freight rates last year came at an opportune time and, although the shipowners have not withdrawn their request for a two-year debt moratorium, most of the bigger companies certainly feel less urgency about it. The situation is not so bright for the so-called "coaster" fleet, the 500 or so vessels of 2,000 gross tons or under, which are a special feature of Danish shipping.

"Coaster" is a misnomer, since many of these ships operate worldwide in the tramp and even liner business. They have also been a favourite form of investment for many Danes, encouraged by the tax system, with the result that most coasters have several part-owners.

However, wages make up a larger component in the operating costs of small ships and the companies usually have smaller reserves, on which to fall back when times are hard. Investors have suffered losses and potential new customers have been frightened off.

Recently the Ship Credit Fund had to give a six-month moratorium on debt repayments for some 100 coasters, a sum of DKr 80m or about one-tenth of the total debt due. Sales of ships have been particularly heavy within the coaster fleet. The Fund is seeking permission to grant moratoriums of up to one year but this will depend on Government authorisation for it to borrow more capital.

A committee of civil servants has been appointed by the Government to look into the cash problems of the shipping companies. It was due to report before the end of the year.

Cutback

Employment in Danish shipbuilding, including the manufacturing of marine engines and boilers, fell from 29,500 in May, 1975 to 19,400 by the end of July, 1979. The cutback was greatest in the yards building new vessels, where about 6,600 jobs, or roughly 40 per cent of the workforce, were lost. Further lay-offs are anticipated and some major yards have sought Government aid to avoid shutdowns.

So far, in sharp contrast to the situation in other European shipbuilding industries, Government support to the Danish yards has been confined to a scheme under which Danish shipowners can obtain credits covering 80 per cent of the contract price for new orders at 8 per cent interest over a term of 14 years, including an initial four-year grace period on interest payments.

In addition, in 1978 the Government brought forward some orders for State-owned ferries, naval, fishery inspection, anti-oil pollution and marine research vessels and put together a package of orders worth about DKr 650m. Most of these vessels involved sophisticated technology and were labour-intensive, helping to curtail lay-offs.

Traditionally, about half the output of the Danish shipyards was exported. As a result of the subsidies granted by other governments to their industries, which blocked the Danish yards' access to their old customers, by mid-1979 only 10 per cent of their order books for new vessels were for foreign account.

At the end of December 1978 the Danish yards had 50 ships of 644,000 dwt on their order books. In January 1976 they had had orders in hand for 116 vessels totalling 3.6m dwt. Some new orders were placed during 1979 but in November five yards reported that they had work for no more than about six months.

Worst off was Burmeister and Wain and the small Svendborg yard, which calculated that it would retain staff in its new building berth only until January. Burmeister and Wain negotiated the merger of its diesel engine division with that of Maschinenfabrik Augsburg-Nurnberg (MAN). This brought it a capital injection of some DKr 300m which induced the Government to revise its decision to reject credit guarantees for five bulk carrier orders Burmeister hoped to win from Hong Kong and Norway.

Some yards are better off. Odense Staalskibsvaerft, owned by the A. P. Moller group, has orders for 16 ships of 334,000 dwt, for a 7,500-ton steel barge and for four modules for offshore oil drilling plaforms, stretching until the middle of 1982. But it must at the same time be remembered that this yard, capable of building giant ULCCs, has had to cut its labour force by about half.

Quickly

The Nakskov yard, which belongs to the East Asiatic group, has an order from its parent for a 33,000-ton product carrier for delivery in the third quarter of 1981 and is building two ferries for the Danish State railways. Assuming that it takes about 18 months to get from contract negotiations to the delivery of the type of ships in which it specialises, it needs new orders quickly.

The Aalborg yard, one of three in the Lauritzen group, has won a cruise liner order for delivery in 1982 and has two reefers still to build for its parent company. It has some holes in its programme but is well bolstered by its boiler-manufacturing division and repair work.

Even though the improvement in some shipping trades last year could also mean that there is a little light on the horizon for the shipbuilders, capacity at the Danish yards is probably still too great. They will have to advance well into the next decade before they can really hope for better times.

W.D.

Plan to reduce oil imports

DENMARK HAS no natural energy resources of its own apart from some North Sea oil and gas finds which are modest when compared with the British and Norwegian offshore reserves. Since 1973, when the first major OPEC price increases shook the industrialised world, the Danish authorities have made a concerted effort to plan rationally for future energy supplies.

The new energy policy tabled in 1976 aimed at reducing the country's almost total dependence on imported oil. It resulted in a plan to spend about DKr 38bn (£3.2bn, $7bn) on energy programmes during 1978-85. This would have been the equivalent of about 23 per cent of all State investments during the period.

The main elements of the plan were to be an active energy-saving campaign and a four-fuel diversification programme, in which coal, natural gas from the North Sea and nuclear power would reduce the reliance on oil. During 1979 some elements of this plan have crystallised successfully but others are proving to be more difficult and costly than originally envisaged.

Denmark was complimented by the International Energy Authority Agency (IEA) for its efforts to cut energy consumption but has nevertheless to recognise that its target of reducing total annual consumption to 19m tonnes oil equivalent (TOE) by 1985 will not be reached until 1987 or 1988. Even that will require increased expenditure.

The nuclear option is in abeyance. Public opposition to nuclear power surfaced after the accident to the Three Mile Island reactor in the U.S. and with doubts also being expressed within its own parliamentary groups. The Social Democrat/Liberal coalition then in power decided in August that the introduction of nuclear power stations would be put to a national referendum.

No date has been set. The referendum will be advisory not binding, it has been stated, and may well not be held until 1981. Meanwhile the Economic Advisory Council has been commissioned to report by May next on the economic consequences of either rejecting or adopting nuclear power.

On the positive side the switch from oil to coal as the primary source of energy for power stations has gone faster than scheduled and has been the major factor in reducing the country's dependence on oil from 87 per cent of total requirements in 1973 to less than 80 per cent now.

In the original plan coal was to have accounted for 3.3m tonnes or just over 17 per cent of total consumption by 1985. In 1978 coal was already supplying some 3.6m tonnes, or not far short of 19 per cent of consumption. Almost 60 per cent of electric power output was fuelled by coal and this proportion is now confidently expected to climb to 80 per cent in the opening years of this decade.

The speed at which coal has been introduced has eased the Government's dilemma over nuclear power, which in the 1976 plan was supposed to provide 1.2m tons by 1985 and 5.7m tons by 1995. Coal would seem to be well on the way to filling the nuclear gap at least until the middle of the 1980s.

Diversify

The Danes have also managed to diversify their sources of coal imports. About half comes from Poland, but sizeable quantities are supplied by West Germany, South Africa, the Soviet Union, Canada and Australia. This diversification could be a source of strength when the rush develops in other industrialised countries seeking to move away from oil.

The most significant development in the Danish energy picture last year was probably the finalisation of the plan to land, and build a distribution network for, North Sea gas. In March the State-owned Dansk Olie og Naturgas (DONG) company signed an agreement with the privately owned Danish Underground Consortium (DUC), the operator on the Danish North Sea shelf, for the purchase of 55bn cubic metres of gas over a 25-year period, with the first deliveries starting in 1984.

In June the Government signed contracts with DONG to cover the DKr 6.2bn project for laying the submarine pipeline to carry the gas ashore and for the construction of a network to distribute it to between 400,000 and 600,000 households in the main urban areas. DONG obtained DKr 855m in share capital and will raise the rest of its funds by borrowing on the open market.

In September the DUC applied to the Government for authority to develop the Cora and Bent gas finds (now renamed Tyra and Roar) and to start production of associated gas from the Dan and Gorm fields. It costed this programme at DKr 3.85bn, which will be additional to the investments to which it is already committed for production of oil from Dan and Gorm.

The DUC warned that to start gas deliveries in 1984 it would need Government approval for the establishment of production facilities no later than April this year. There is now little doubt, however, that the biggest single industrial project ever undertaken in Denmark is out of the starting blocks.

It has been a controversial project. At one time the DUC companies—A. P. Moller, which has the sole concession rights to the North Sea oil and gas, Shell Chevron and Texaco—argued in favour of exporting the oil and gas to other EEC countries with existing treatment and distribution installations.

Some Danish economists claimed that the gas distribution network would not give a positive return on investment unless the gas price was kept artificially low. Mr. Gerhard Jensen, DONG's managing director, rejected these estimates, claiming that they were based on misleading assumptions. But the argument that appears to have weighed heaviest with the politicians was that Denmark would be able to reduce its dependence on imported oil by going ahead with the gas scheme.

The DUC has also been more cautious than the consultants employed by the Government, De Golyer and MacNaughton, in evaluating North Sea petroleum reserves. Last March D and M reported that recoverable reserves of oil and gas on the Danish shelf were larger than had been thought. The oil alone could be sufficient to meet between 30 and 40 per cent of Denmark's energy requirements in the 1990s, it claimed.

It put proven reserves in the five oil finds so far explored at 361m tonnes, with possible additional reserves of almost 80m tonnes. D and M estimated that output from these fields could reach 3.4m to 4.5m tonnes a year.

The DUC's published plans point to a peak output of around 3m tonnes a year. It has been producing Dan at 500,000 tonnes a year. The Gorm field is scheduled to come on stream in the beginning of 1981 and output could build up to around 2m tonnes a year. The smaller Skjold field is still under appraisal but DUC estimates that "reasonable production rates" could be obtained from it.

De Golyer and MacNaughton also reported "reasonable prospects" that further exploration would raise recoverable gas reserves from about 115bn cubic metres in the fields so far explored by an extra 60bn cubic metres. The DUC-DONG contract is based on the assumption that recoverable reserves are about 75bn cubic metres.

Under that contract DUC will build up gas supplies to 2.5bn cubic metres a year. D and M estimates that it will be able to deliver some 4bn cubic metres by the mid-1990s. DONG has made an agreement with Ruhrgas which will enable it to start using its distribution network to supply Danish consumers with gas from the West German network as early as 1982, two years before DUC is scheduled to deliver its gas.

Exactly how much the North Sea will contribute to Denmark's energy needs over the next quarter century is still rather a matter of conjecture. Some of the oil and gas on the Danish Shelf is found in difficult chalk structures, as DUC's experience with the Dan field has demonstrated. On the other hand D and M report that new prospective structures remain to be explored.

It would seem fair to assume that natural gas can contribute some 15 per cent of Denmark's requirements in the second half of this decade. If oil production reaches 2.5m tonnes a year the country would be close to getting 30 per cent of its energy from domestic sources. That would be a real improvement from the vulnerable supply situation highlighted in the 1970s by the OPEC oil price increases.

W.D.

Banks chafe under credit curbs

THE DANISH banks are becoming increasingly restive under the direct controls to which they are subjected and which are causing them to lose their shares of the credit market. But as the new decade begins there seems no likelihood that the bonds will be loosened.

On the one hand the National Bank (central bank) under its present governor, Mr. Erik Hoffmeyer, practises the philosophy that monetary policy is not the responsibility alone of the central bank but one to be shared by the banks. As the banks themselves, taken collectively, cannot do much about deposit growth, they have been taught to regard lending business with caution, and indeed, even with suspicion if the borrower is one of those creatures believed by Danish politicians to be responsible for the country's persistent current balance of payments deficits—the consumers.

On the other, the banks symbolise monetary wealth and are therefore subjected to other restrictions emanating from Governments, which are anxious that the banks, as their contribution to incomes policy restraint should not earn too much.

This has never actually prevented the banks from earning enough to meet the consolidation requirements compatible with banking law, but all the major banks have in the past few years, for the first time, had to raise subordinate capital abroad in the form of loans.

This became necessary partly because investors have got the Government's message. The bank shares index, with 1972 as 100, is now around 55, or about 35 percentage points below the total index. The low share prices make it difficult for banks to raise new share capital. As the decade begins the net of restrictions on the banks has if anything been tightened and the prospects for earnings are not bright.

The restriction which the banks resent most is the "temporary" ceiling on bank advances introduced in 1969. The ceiling, which applies to loan commitments, has been adjusted 23 times over 10 years and is now 87 per cent higher than it was at the start. But in the same period Denmark's Gross Domestic Product has risen by almost 200 per cent, so it is clear that the banks' market share has fallen.

The mortgage bond market—and since a budget deficit emerged in 1975, the market for Government paper—the market for private mortgage notes, loans by pensions funds and insurance companies (recently, however, severely curbed by the Government), and foreign lenders have all increased their market shares.

Some of these changes have suited the authorities. Money raised in the "grey" markets is more expensive than bank credit, thus helping to curb the demand for money, while a main purpose of the credit ceiling is to force business borrowers to borrow abroad, thereby helping to finance the current account deficit.

The banks feel, however, that although the credit ceiling may at first have been effective, by now so many alternative channels have been developed that the effect is not so much to control credit expansion as to prevent the banks from obtaining a fair share of it, inhibiting competition between the banks and other credit institutions and between the banks themselves.

Failed

Although the question of replacing the ceiling on advances with some other system is under discussion, the banks have so far failed to convince Mr. Hoffmeyer that they have found a better alternative and they seem to be stuck with it.

The second restriction which has given the banks most trouble concerns margins between rates of interest on deposits and advances. Until the beginning of 1979 margins were frozen at the average level of 1972-74 for each bank, but as this system drove up interest rates on advances automatically when competition for deposits was intense, a catch which the politicians had not foreseen and did not like, it was replaced with a "voluntary" agreement by the banks with the central bank by which interest rates on loans were in effect frozen (but adjustable for changes in the central bank's discount rate, which since September has been at 11 per cent).

With the end of the freeze on margins, the banks were placed under the price and profit margin controls applying to other businesses, but supervised by the bank supervisory authority. When last November's incomes policy package was introduced it included a clause which stated that if bank interest rates, charges, commissions and similar sources of revenue developed in a way which conflicted with the aims of the incomes policy, which of course includes a price freeze, the bank supervisory authority could order the banks to reduce the charges to former levels.

This apears to be almost a return to the straitjacket of the margins freeze but is in fact rather more flexible, not least because the primary job of the bank supervisory body is to ensure that banks meet the 8 per cent legal minimum ratio of equity capital to deposits and guarantees, that is, to ensure that the banks earn enough for consolidation.

Nevertheless the banks fear that 1980 will be a difficult year. Despite the restrictions on the growth of wages and salaries, costs will rise quite rapidly, and the opportunities to offset these by increasing revenue will be limited, unless the incomes policy, combined with international developments, allows a drop in the present high interest rates.

This would not only effect the profitability of normal deposit and lending business but would also have a crucial bearing on net profits through the value of securities, which are entered into the profit and loss account at their value on the final trading day of each year.

Initially there has been no indication that bond prices will respond favourably to the incomes policy. Prices at the end of 1979 were roughly the same as at the end of 1978. Share prices (which play a small role as far as bank earnings are concerned) were slightly lower.

Despite the restrictions which the banks feel are so oppressive, they have not been so rigid as to prevent the banks from striking out in new directions. In fact the restrictions have in some cases incited the banks to explore new territory.

Computerised

Within the past year or so both the commercial and savings banks have developed one of the most complete and advanced computerised on-line time-sharing schemes in Europe. As virtually all wages and salaries are automatically paid into bank accounts, the use of cheques is universal. One consequence of this is that the banks have not found any point in introducing the expensive money machine service. As Privatbanken said in its 1978 annual report, money machines are really a reversion to the cash society. The Danish banks hope that they can skip this development and move smoothly into the cashless system through checks and credit cards and the retail system equipped with terminals for instant, paperless transfers from the customer's to the retailer's account.

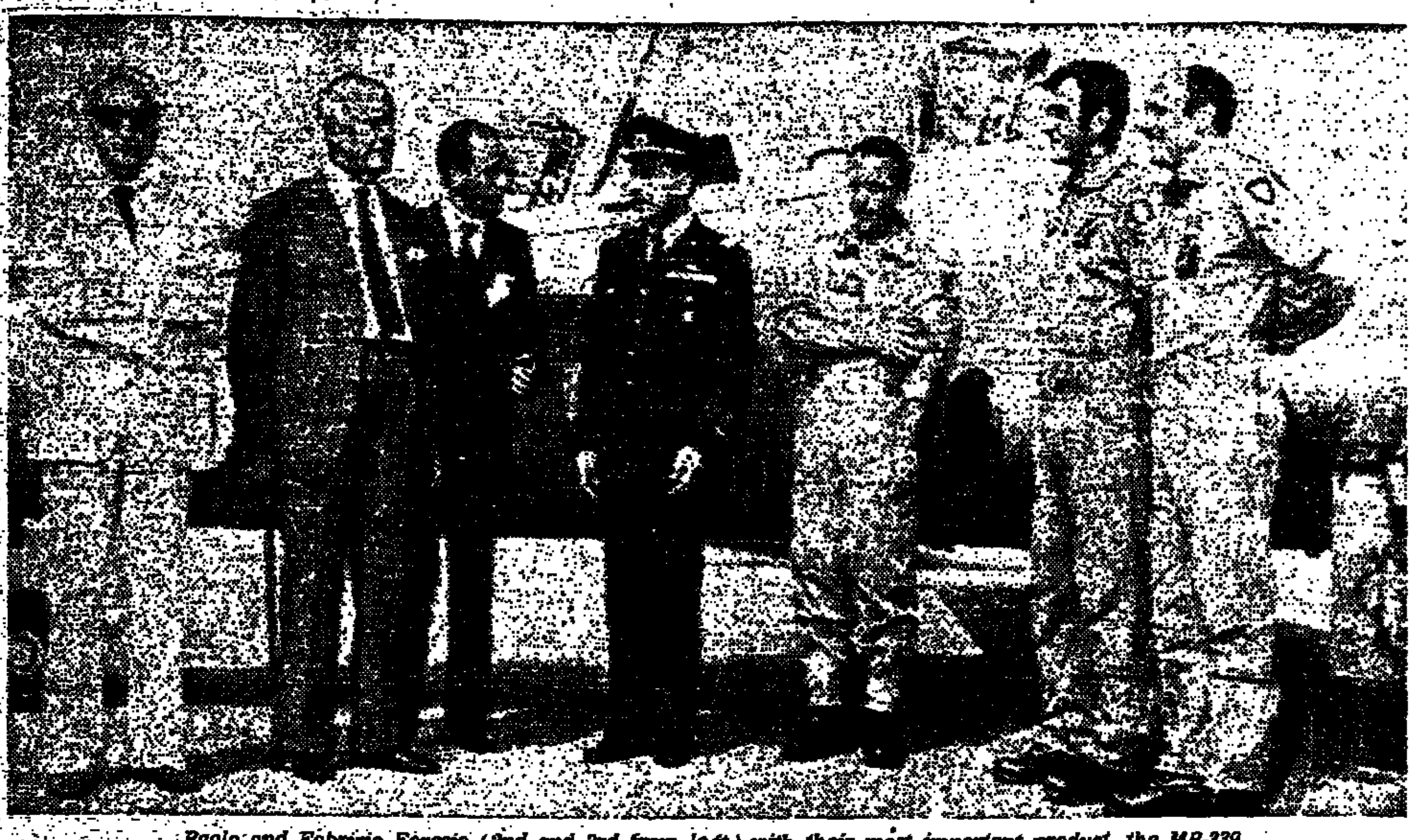
The restrictions have not prevented considerable changes by which some banks have grown and others shrunk. Copenhagen Handelsbanken, which found itself in the early 1970s with what proved to be a disadvantageous customer structure, was overtaken by Danske Bank as the bank with the largest balance sheet total, although Privatbanken, the third largest bank, managed to increase its balance sheet total slightly faster than Danske Bank.

The subsidiaries of foreign banks were also allowed room under the credit ceiling to get started and the six with local banks (as opposed to representative offices) have carved out a substantial slice of foreign business (they have all kept clear of retail banking). Their competition has undoubtedly given the larger Danish banks a thing or two to think about.

Another striking development is the internationalisation of the Danish banks, partly following an international trend but urged on by the opportunities for making money which they were not allowed to earn at home. The wholly-owned subsidiaries in Luxembourg—which all the major banks now have—were able to absorb a substantial amount of business which would otherwise have gone to foreign banks.

Last year Handelsbanken together with Svenska Handelsbanken, Finland's Kansallis-Osake-Pankki and Norway's Den norske Creditbank, set up the first wholly-owned Nordic commercial bank in the U.S., Nordic American Bank, and Privatbanken opened a bank in New York, while all the largest banks opened Cayman Islands branches.

H.B.



Paolo and Fabrizio Foresio (2nd and 3rd from left) with their most important product, the MB-339

Breaking Italian barriers

Rupert Cornwell reports from Varese on the fortunes of an unusual aerospace company

"ON PAPER," said a Milan banker, "Macchi should not exist." But most emphatically it does. In an industry in which (in Europe at least) the hand of the State is becoming heavier and heavier, Aeronautica Macchi is an example of the small, flourishing, privately owned aerospace company. The *paradox is superficially all the* more evident in Italy, where epic industrial disasters are the staple fodder of newspapers, and where government intervention is usually the kiss of death.

Macchi, one of the world's leaders in the manufacture of jet trainers, makes money. As the same Milan banker observed, the company has assiduously cultivated a niche in the market. Owned by the Foresio family which took control in the mid-1930s, Macchi boasts industrial relations which give the lie to the profound labour tensions in the country's engineering sector, and which are visible every day at groups like *Fiat and Alfa* Romeo. Nowhere more so than in Italy, is small beautiful; Macchi is also the expression of the values of the city in which it was born and where its activities even today are overwhelmingly concentrated.

Antics

Like Rome, Varese is built on seven hills, but there the similarities end. The bureaucracy and intrigues of the capital are 400 miles away as the crow flies, but in psychological terms the distance might be 40,000 miles; tucked in under the Alps, Varese could be on another planet. The antics of the Rome politicians are regarded with a mixture of scorn, irritation and bewilderment. "They are a disaster; what difference does it make to them if they cost the country a billion dollars when they can get rid of an opponent?" says one Varese industrialist, talking about the still-unravelled scandal over the ENI-Saudi-Arabian oil contract.

The ethic of nearby Switzerland is almost tangible. Varese *is full of plush restaurants* and concealed wealth. It is probably terribly boring to live in, but the province is the richest in Italy, measured by per capita income. Unemployment (whatever the national statistics may say) is unknown, and blood-curdling political slogans are conspicuous only by their absence from the walls of the Macchi *head offices* and plant in Via Silvestro Sanvito. Macchi, and companies like it, provides part of the explanation why, despite all the lurid headlines, Italy managed a trade surplus last month and still has one of the strongest balance of payments in the industrial world. It is not so much a question of a submerged economy and black labour, as of an eminently visible one; and one which works very well.

The company's present prosperity *has been built around* one aircraft, the MB-326 jet trainer. About 860 of these have been *sold* over the past 20 years, especially in developing countries where its cheapness ($1.5m per aeroplane), simplicity and the reliability of its back-up service are especially valued. Licensing agreements were made with three countries, *Brazil, Australia and South* Africa (though no one cares to talk very much about the last). The Australian deal gave perhaps the greatest pleasure. "Just like beating the British in their own backyard," said Ferruccio Tommasi, Macchi's *marketing director.*

Today the range is widening. Most important will be the MB-339, the trainer now starting delivery to the Italian air force, and deliberately designed to be the logical successor to the MB-326. It will be more expensive ($2.2m) than its predecessor, but far cheaper (if slightly inferior in performance) than its two main *competitors,* the British Aerospace Corporation Hawk, and French Dassault-Breguet Alpha-Jet. Above all, it embodies the unprecedented new concept of the single trainer, on which a pilot can progress for the first time on the *same aircraft from the* "wash-out" period, which weeds out those who will never make it, to the point where they are capable of flying the most sophisticated combat jets in service. The result should be a sharp reduction in flight training time and hence costs—possibly by up to 30 per cent.

Macchi at the moment is at *the delicate stage of trying to* bring in the overseas orders. Traditionally no one starts placing firm orders for an aircraft until the domestic airforce has demonstrated its own faith by buying it. The Italian air force has just requested 100 MB-339s, and Macchi is now negotiating with some 50 potential export customers.

But the company has other irons in the fire. It provides the wings for the G-222 military transport, and parts for the Anglo-German-Italian multi-role Tornado aircraft. Then there is the AMX, the short-range battlefield support jet, *for which* Macchi and Aeritalia, the state-owned company controlled by Finmeccancia of the IRI group, have completed a project definition.

It is now up to the Defence Ministry to decide whether to go ahead and commission two AMX prototypes. Technically, a crying need *exists* for a replacement to the ageing Fiat G-91s still in service, but in *Italy political factors must never* be underestimated. Parliament has to approve funds, and at present the Italian Parliament is hardly capable of agreeing on the time of day. Even so Macchi has assured work in hand at least until the end of *1981, and is currently expand*ing, albeit cautiously, its total workforce of around 2,000.

All in all it is an enviable situation. According to Fabrizio Foresio, Macchi's vice-president, the company which his father bought and reshaped in the *mid-1930s is likely to report* a rise in turnover to around L70bn (£40m), despite disruptions arising from arduous negotiation of a new national metalworkers' contract last summer. No less than 80 per cent of sales are abroad, though *this proportion will necessarily* drop in 1980, when work gets into full swing on the big Italian order for the *MB-339.* After the L1.2bn (£650,000) declared profit for 1978, another year in the black will follow for 1979.

Momentum

More important, *though,* is the financial basis on which Macchi rests. "We are self-financed for around 80 per cent," says Mr. Foresio. "The rest comes from government aid to develop and launch new military aircraft." The bulk, in fact, comes from *advance payments* by customers, totalling almost L50bn, according to the 1978 balance sheet.

At the same time Macchi has kept up the momentum of a vigorous but prudent investment programme. At the new *Venegono complex, for example,* just south of Varese, where the company has three assembly lines as well as a highly sophisticated wind tunnel for testing, new investments are brought on stream gradually, in pace with requirements. *Thus there* have been none of the grandiose extravangances which have so often spelt disaster for larger, publicly owned groups in Italy. Other people's money is always much easier to spend.

At the heart of Macchi's evident success, *however,* one suspects, is its size. Mr. Foresio, 39, makes no secret of his aim to keep Macchi a basically *medium sized group.* "Here we've gone for steady progress, with no great leaps forward. We don't want the moneybags of the State, and allotments of public funds." Understandable, since with the latter inevitably comes the cloying hand of the politicians.

So is it just good old-fashioned *family* paternalism? *The* answer, to a degree *is* surely yes, although Mr. Foresio strongly refutes such a suggestion. In any case, he argues, the trend now, is, if anything, back towards private enterprise in the aerospace industry—"Look at the efforts by the Con*servative Government in the* UK to sell off bits of British Aerospace.

"What we have got," *he* says, "is a real esprit de corps. Our people know that they're making a first-class product, that Macchi always has made really good aeroplanes." Indeed, his own father, Paolo Foresio, now in his 70s, has always been *passionately involved with them,* and gives the impression of being something of an Italian Marcel Dassault. Before taking over Macchi, he was the technical director of Italy's first ever private flying school just after the First World War. The *name of Macchi has often been* synonymous with the successes of Italian aviation: it made the *MC-202* and *MC-205* fighters of World War Two. Before that it was a protagonist in the romantic era of the Schneider Trophy, and its MC-72 still holds the world record for a piston engined seaplane (around 443 mph).

*The esprit de corps unques*tionably has contributed to the long tradition of good labour relations. Absenteeism, by Italian standards, is very low, rarely exceeding 10 per cent, and national strikes usually command little support in Varese. One executive remembers how, during the 1975 labour contract negotiations—*tougher even perhaps than this* year's—the elder Foresio was asked by the unions to address a potentially hostile meeting. The audience apparently ended up applauding. The story may be apocryphal but it is believable.

Macchi's problems in fact are a reflection of the national difficulties of Italy: the lack of *political support enjoyed by* other manufacturers elsewhere, and the risk of a lire locked into the European Monetary System, which could lead to damaging fluctuations against the dollar.

London's small business community tries to make its voice heard

BY LORNE BARLING

AN ORGANISATION which tries to represent the interests of such diverse businesses as ITT, Marks and Spencer and hundreds of shopkeepers, newsagents and self-employed people, *is bound* to have identity problems.

The *organisation concerned* is the Consultative Group of the Greater London Chambers of Commerce and Trade, a small but serious pressure group which believes that all these concerns have one thing in common—they are getting unfair treatment and suffering as a result.

The group was formed 10 years ago as a link between the small and numerous chambers of commerce in London, with the main aim of giving them a direct voice to the Association of British Chambers of Com*merce,* the CBI and anyone else in authority who would listen.

Unlike the London Chamber of Commerce and Industry, which has a substantial income from its membership of large London companies and from export documentation services, the consultative group has very limited financial resources. Despite the enthusiasm of the *members, they remain divided* on how they should go about being representational and as a result have made little impression.

The members are concerned, like thousands of other people involved in small businesses, *about their lack of representa*tion in government at all levels, from their local councils upwards. Trade unions have their Congress, big business has the Confederation of British Industry, but they only have chambers of commerce, whose membership and influence has dwindled over the years.

Many local authorities are preoccupied with social problems, such as housing and schools, and pay little attention to the business environment which is so important to small *enterprises. Since they pay* a high proportion of total rates, owners of these businesses (and managers *in the case* of large companies) are angry.

Their problems are aired regularly at consultative group meetings, under the chairmanship of Peter Style, a Marks and Spencer store manager in South London. "I'm afraid we're not a very impressive group of people, but we feel we ought to be represented through someone so that our views get to the *people who make decisions,"* he says.

Part of the problem, he believes, is that chambers have allowed their function to be taken over by councils, groups such as the National Federation for the Self Employed, and even *quangos.*

But the real failure of the movement appears to be that members are undecided and unresolved about who should represent them. Some believe it should be local councils, others the London or West*minster Chamber of Commerce,* and a few look towards the CBI.

Responsibility

The guest speaker at their most recent meeting in London was David Mitchell, Under-Secretary of State for Industry, who made it plain that to get results they should exert pressure on people like himself—although in his case it did not appear to be necessary.

Mr. Mitchell, a former PPS to Sir Keith Joseph, has special responsibility for small business; he admits that the voice of the sector is not strong enough, but argues that the London group must strengthen its membership and speak out boldly. He rejects the need for public law status similar to the *tax imposed in continental* countries to provide chambers of commerce with a direct income.

He points out that such a measure would in effect turn the movement into a quango and at the same time make it a *closed shop; instead,* he suggests, it should draw on its grass roots to develop strength.

Mr. Mitchell is a fervent believer in the need for more small businesses, and is concerned that Britain has 40 per cent fewer than in West *Germany. He points out* that the Government intends to aid this sector however it can, and is considering ways of changing the rating system, which is obviously unfair.

Although many of the London chambers generally aim to be politically neutral, some are strongly anti-Labour, particularly on the question of rates, since 70 per cent of rates in the Inner London area come from businesses and 86 per cent in Westminster.

Some chambers have *good* relations with their councils, but others have to fight every inch of the way to improve minor but essential business amenities *such as parking facilities near* shops. In general, most chambers believe that the environment in London for *small* business has deteriorated so seriously that further decline is inevitable. They therefore feel their rates are not being well *spent.*

Aside from the paperwork problems which mounted under *the previous Government, there* are chronic shortages of shops and offices in some areas, particularly Westminster, and profits have declined to the point where many of the businessmen are claiming they are tempted to look for salaried employment.

Westminster Chamber is now preparing a report on the shortage of office and shop employees, *which it believes is* largely caused by commuting and housing costs young people face today. For instance, the majority of girls of 17 cannot afford to live in central London and yet the cost of commuting from the suburbs is prohibitive on comparatively low wages.

However, Westminster Chamber is a well-known organisation and *the findings of its* report will no doubt be listened to by the Greater London Council and British Rail, even if they don't do anything about it. At present, smaller chambers have no means of even having their views heard, nor do they have the funds for research projects.

At present there are about 30 larger *chambers and perhaps* 50 small ones, in the consultative group, in all representing perhaps 25,000 members. They vary greatly in effectiveness, and there is often rivalry between them for membership in an area. Some have less than 50 *participants,* and are quite unofficial, but there is no restraint on who can start a chamber.

About half the larger chambers are part of the consultative group, which represents 9,000 members and is funded by the Westminster Chamber, and most have very *limited incomes from membership.* It is therefore far too expensive for them to join the CBI, or the Association of British Chambers of Commerce.

Peter Style *is an energetic* chairman of the group, still incorrigibly optimistic about the recommendations of the 1972 Devlin report on industrial and *commercial representation.* He points out that Devlin rightly saw the need for a so-called *Confederation of British Busi*ness to represent the views of chambers.

This would have drawn on the regional strength of chambers and their strong international connections, and Mr. Style wonders why so little was done about forming such a body, since it was the main recommendation of Devlin. He feels his own organisation is too small to take any effective action *in starting it.*

In the absence of any progress in that direction, some members of the consultative group now feel that the only real alternative is to make an approach to the CBI, although this could be divisive since not all would be in favour and in any case the CBI may not be responsive.

Difference

Others believe that their interests will best be served by an all-out attack on local councils, which some clearly far-from-neutral group members now believe to be dominated by Marxists who are intent on *hindering* rather than helping local business.

This difference of opinion suggests that the chamber of commerce movement in the area has lost direction, and supports the Devlin view that there should be efforts to unify the *whole* network of chambers under a strong umbrella organisation which has the ability to *make people listen to its views.*

As Mr. Style points out, his consultative group is itself divided on what should be done, but with considerable encour*agement from the present Gov*ernment and the sympathy of Sir Keith Joseph, it appears that the sooner it decides what it wants the better.

LOMBARD

Gold's place at Venice summit

BY SAMUEL BRITTAN

THE MOST recent dizzy records in the gold price reflect world political uncertainties. After all you can hardly bribe a rebel tribesman with Special Drawing Rights; and he would be taking a gamble in accepting in the Hindu Kush paper money of any kind.

Yet there is more to the gold craze than that. For last week's events simply added to a gold boom which had already reached amazing heights. For most of recorded history gold has more or less retained its real value against goods and services. But in the last few years it has done far more. By last September the real value of an ounce of gold in terms of U.S. goods and services was five times as high as in the late 1960s. At the end of last week it was about seven-and-a-half times as high.

It would seem that the markets are taking a very sceptical view of the supposed conversion of the major world governments to monetarist policies. They are sceptical of either the ability or the will of governments to limit the supply of paper currency when the going gets rough. And who, in the face of the historical evidence, is to say that they are wrong? The fundamental connection between the hotting up of world politics and the gold boom is that when governments give priority to guns, they become less particular about running budget deficits or the way the deficits are financed.

Proposal

The French President, M. Valery Giscard d'Estaing, has already promised proposals for world money reform at the Western summit in Venice in June. What they will be, hardly anyone, even in Paris, seems to know. It is quite usual for world statesmen to promise to do something and then ask their staff to work out some suggestions. But the President may well suggest that national monetary authorities should resume a commitment to buy and sell gold at pre-announced price levels or ranges.

What better place to discuss gold and allied topics than Venice—"Once did she hold the gorgeous East in fee, And was the safeguard of the West"? But the instinctive and stuffy reactions of the U.S. and British Treasuries will be to look down their noses at such ideas and stick to the pious path of the proposed IMF substitution account, which is so patently inadequate to the real problems.

Surely an altogether more constructive response is required to the French President's gropings. A stable link between currencies, and commodities of intrinsic value, would do more to establish confidence in world money than any number of domestic monetary targets—indispensable though the latter are. But it is important that there should be genuine convertibility of currencies into something else; and not merely a backdoor system for reintroducing fixed exchange rates.

Difficulty

A more basic difficulty would be to decide at what level or range to peg the gold price. A price of anything like $500 discounts far more inflation than has yet occurred; and to remonetise central bank reserves at such levels would build strato-inflation into the system. On the other hand a gold price of $200 would not be credible and could leave the central banks cleaned out of gold.

Moreover, the intrinsic merits of gold as a monetary standard are debatable. People would not pay anything like present prices for gold for its value in teeth or as a decoration. A large part of gold's value for instance in jewellery, arises purely from the convention of regarding it as money. It would be more sensible to provide for the convertibility of currencies into a bundle of commodities in which gold would be included; but so too should oil together with not more than half-a-dozen other items. The U.K. is, of course, in a special position to make credible the oil part of standard. An interest in this type of reform, while it will not help with the EEC budget in a very direct way, would do more to gain French goodwill than the usual Foreign Office appeasing tactics. But it would require a real revolution for such advice to be acted upon in London; and that we have not had.

Secondary blacking proceeds without fear

THE WEEK IN THE COURTS

BY JUSTINIAN

A STRIKING feature of the rippling effect of industrial action by trade unionists in the steel industry to promote their cause in their pay dispute with British Steel Corporation is the absence of public comment suggesting that there is anything but complete immunity from legal action of customers or suppliers of steel, innocent and disinterested third parties, who are in no way connected with the trade dispute. Secondary blacking is proceeding without fear that it will provoke employers to seek labour injunctions from the courts.

Until the House of Lords pronounced its decision just before the Christmas recess in the case of *Express Newspapers v. MacShane and another*, no such certainty about labour injunctions prevailed. Over the past two years in a series of judgments emanating from the Court of Appeal interlocutory injunctions have been granted against trade unionists over secondary blackings—granted on the assumption (now shown to be misconceived) that Parliament cannot have intended to give so blanket an immunity from the ordinary right enforceable at law to prevent any wrongful interference with trade. Those decisions have all been swept away with a clarity and authority that makes the law tolerably certain.

In short, the immunity conferred on trade unions ever since 1875 and now contained in the 1974 Act (as amended in 1976) is pervasive, unless and until Parliament decrees otherwise. The act of judging whether a trade unionist's call to industrial action by his members and other workers is not for the judicial forum but almost exclusively for the industrial arena.

It is well that those who have the task of reviewing the state of labour law should be clear what it is that the courts have declared is the meaning of the phrase, "in furtherance of a trade dispute." It was because the Court of Appeal so heartily disliked the idea that great, even irreparable damage, might be done to innocent and disinterested third parties simply in order that trade unionists might obtain tactical and highly speculative advantages in the industrial struggle, that the judges sought to re-interpret the language of Parliament.

The Court of Appeal had adopted three somewhat different tests in its search for a modification of the statutory immunity. The first was based upon remoteness; the help given to the trade union in its trade dispute had to be direct to attract the immunity. Lord Denning expressed it picturesquely. "You cannot chase consequence after consequence after consequence in a long chain, and say everything that follows a trade dispute is in 'furtherance' of it." That same celebrated judge tried out another test, in the *MacShane* case itself, by saying that the act done must have some "practical" effect in bringing pressure to bear upon the opposite side to the dispute. Acts done to assist the morale of trade unionists whose cause is favoured is not, he ruled, protected by the immunity. The first test in its pure form has had no proponents other than its author. The second test found no favour with the Law Lords in the *MacShane* case. Morale is a vital factor in all confrontations "whether at El Alamein or in Fleet Street."

The third test favoured by some of the judges in the Court of Appeal was that the act done must, in the view of the court, be reasonably capable of achieving the objective of a trade dispute. This view, in a modified form, was acceptable to Lord Wilberforce, but the majority of the Law Lords rejected any test that had the effect of enabling the court to substitute its own opinion for the bona fide opinion held by the trade union or its officials, whether action proposed to be taken or continued for the purpose of helping one side or bringing pressure to bear upon the other side to a trade dispute is likely to have the desired effect.

To adopt Lord Wilberforce's approach would be to convert the patently subjective test, prompted by the legislative wording, into a purely objective test.

It follows that once it is shown that a trade dispute exists, the person who acts, and not the court, is the sole judge of whether his acts will further the dispute. If he is acting honestly, Parliament has left it to him to choose what he does.

Many judges find it irksome to be so comprehensively thrust aside in the determination of labour issues. But Lord Scarman reflects another, contrary judicial view when he states: "I confess that I am relieved to find that this is the law. It would be a strange and embarrassing task for a judge to be called upon to review the tactics of a party to a trade dispute and to determine whether in the view of the court the tactic employed was likely to further, or advance that party's side to the dispute."

It was Lord Scarman who raised, however, an intriguing question in this delicate area of the law that did not call for a direct ruling; and indeed none of the other Law Lords alluded to it, save Lord Wilberforce who expressly reserved his opinion on the point. The question is: If the industrial action poses a substantial threat to a defined public interest—for example, the freedom of the Press—is that threat a factor which the court should properly put into the balance together with the other relevant factors when deciding whether to grant an interlocutory injunction restraining the industrial action?

Section 17 of the 1974 Act obliges the court, before exercising its discretion whether to grant an interlocutory injunction or not, to "have regard to the likelihood" of the defence succeeding at the trial in establishing the right to the immunity for acts done in furtherance of a trade dispute.

That means that ordinarily the courts would refuse to grant an injunction when it was more likely than not that the trade unionists would succeed in their defence. But that does not mean there may not be cases where the consequence to the employer or the public may be so disastrous that the injunction ought to be granted.

If a union of print workers or the National Union of Journalists should seek to promote their dispute with one or more newspapers by calling upon their members to withdraw their labour from all newspapers, including the national newspapers, so that the public was bereft of information, except on radio and television, the public interest would be severely damaged. Would a national newspaper threatened with indefinite closure (and perhaps even extinction if the closure lasted for a long time) be entitled to ask for an injunction, notwithstanding it was more likely than not that the trade unionists would be able to show convincingly that they had acted in furtherance of a trade dispute?

Lord Scarman clearly thought that if a trade dispute endangered the nation, or put at serious risk fundamental rights, such as the freedom of the Press it could well be a proper exercise of the court's discretion to restrain the industrial action pending trial of the action.

Even the law of immunity for trade unions in the 1974 Act does not preclude the possibility of the court exercising the ultimate power to determine that industrial action, if pushed to the extreme of a general strike crippling the economy of the country irreparably, and granting the injunction.

When it comes to considering the breadth of the immunity of trade unions, the discretion of the courts to protect the fundamental interests of the country is not an unimportant factor.

Safest bets first and last

RACING

BY DARE WIGAN

ON PAPER, the safest bets on today's two programmes would appear to be in the first and last races at Leicester and Sedgefield respectively. For instance, Killer Shark, a useful performer on the flat, and one of a handful of jumpers that Gavin Pritchard-Gordon trains at Newmarket, has shown sufficient promise over the minor obstacles to suggest that he ought to win Division I of the Nomad Novices Hurdle (12.45) at Leicester.

If Killer Shark is a useful animal on the flat, he is nevertheless some way inferior to Schumann, a grey gelding by Hotfoot, who goes for Division II of the Haswell Novices Hurdle (3.00) at Sedgefield. Schumann, whom Mick Easterby trains for Mrs. A. Villar, was rated 108 by Timeform towards the end of last season. On his second appearance over hurdles, at Catterick on December 19, he went under by half a length to Burma Pink with the remainder of the 24 runners well strung out behind them, and he looks all set to go one better here.

Three weeks ago, at the last Leicester meeting, Jacko jumped well when conceding a stone to Vatican Express and Master Upham, over the distance of today's Breedon Handicap Chase (2.15) and he will be fancied to supplement that success. However, he has incurred a 6 lb penalty, and I question his ability to give 19 lbs to The Spud Centre, who was gambled on at Warwick the other day, but who unseated his rider.

Cheltenham, a seven-year-old mare trained by T. Rimell, if reproducing form shown when runner-up to previous winner Pamphilos at Wolverhampton at the end of November, will go close to winning the Wymeswold Novices Chase (1.45).

LEICESTER

12.45—Killer Shark**
1.15—Rathdaniel
1.45—Cheltenham
2.15—The Spud Centre
2.45—King Vinee

SEDGEFIELD

1.00—Hallex Pep
1.30—Dikaro Lady*
2.00—Cashea
3.00—Schumann***

TV/Radio

† Indicates programme in black and white

BBC 1

12.45 pm News. 1.00 Pebble Mill At One. 1.45 How Do You Do? 3.15 Songs of Praise from Rugby. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 am). 4.20 Touché Turtle. 4.25 Jackanory. 4.40 Playhouse. 5.00 John Craven's Newsround. 5.05 Blue Peter in the heart of the Scottish Highlands. 5.35 The Perishers.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.45 A Question of Sport.
7.15 Blake's Seven.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "Thunderbolt and Lightfoot," starring Clint Eastwood.
11.15 Film 80.
11.40 News Headlines.
11.42 Ancestral Voices.
12.07 am Weather / Regional News.

All Regions as BBC-1 except as follows:—

Wales—1.45-2.00 pm Pili Pala. 5.55-6.20 Wales Today. 6.45-7.15 Heddiw. 12.07 am News and Weather for Wales.

Scotland—12.15 pm It's A Great Life. 12.40-12.45 The Scottish News. 5.55-6.20 Reporting Scotland. 12.07 am News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55 Scene Around Six. 6.20-6.45 Land 'N' Larder. 12.07 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

10.05 am It Figures.
10.30 Working With Young People.
11.00 Play School.
2.30 pm Roads to Conflict.
3.00 That's The Way The Money Goes.
†5.40 Flash Gordon Conquers The Universe.
6.00 Newsround Africa.
6.30 Magic Sounds.
6.45 Training Dogs The Woodhouse Way.
7.10 Mid-Evening News including sub-titles.
7.20 Rock Goes To College.
8.10 An Evening With The Three Degrees from the Royal Albert Hall.
9.00 Solti Conducts Russian Music by Mussorgsky, Prokofiev, Shostakovich.
10.00 Soul Of A Nation: The Royal Family of Thailand, part 2.
11.30 The Light Of Experience.
11.45 Late News.
12.00 Closedown: reading.

LONDON

9.30 am The Legend of Haein-Sa. 10.20 The Love Boat. 11.55 The Bubblies. 12.00 Jamie and the Magic Torch. 12.10 pm Rainbow. 12.30 Numbers At Work. 1.00 News plus FT Index. 1.20 Thames News. 1.30 Heart to Heart. 2.00 Food, Wine and Friends. 2.30 Monday Matinee: "The Blue Lagoon," starring Jean Simmons and Donald Houston. 4.15 Clapperboard. 4.45 The Ravelled Thread. 5.15 Money-Go-Round.

5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 Give Us A Clue.
7.30 Coronation Street.
8.00 Keep It In The Family.
8.30 World In Action.
9.00 Minder.
10.00 News.
10.30 Monday Film: "A Touch Of Class," starring George Segal and Glenda Jackson.
12.25 am Close: Richard Briers reads from "Hi!" by Norman Habel.

All IBA Regions as London except at the following times:—

ANGLIA

9.40 am The Coral World. 10.30 The World of Wizards. 11.20 The Beachcombers. 11.45 Cartoon Time. 1.25 pm Anglia News. 2.00 Monday Film Matinee: "Exo-Man." 3.45 Food, Wine and Friends. 5.15 University Challenge. 6.00 About Anglia. 10.30 The Brian Connell Interviews. 11.00 The New Avengers. 12.00 The Human Face of China. 12.30 am Reflection.

ATV

9.40 am Sesame Street. 10.40 Wilkie in Winter. 11.05 Kids at Play. 11.30 Bailey's Bird. 1.20 pm ATV Newsdesk. 2.00 Rendezvous with Romance: "Bachelor of Hearts." 3.45 Food, Wine and Friends. 5.15 The Mighty Micro. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.00 ATV Newsdesk. 11.05 Barney Miller. 11.35 Beyond The Moon. 12.05 am Something Different.

BORDER

10.00 am Elephant Boy. 10.25 Chips. 11.10 Diary of Civilisation. 1.20 pm Border News. 2.30 Monday Matinee: "The Iron Maiden." 5.15 University Challenge. 6.00 Lookaround Monday. 6.15 Cooking with Tovey. 10.30 Monday Movietime: "Get Carter" starring Michael Caine. 12.15 am Border News.

CHANNEL

1.20 pm Channel Lunchtime News. 2.00 Monday Matinee. 5.15 University Challenge. 6.00 Channel News. 6.10 The Lone Ranger. 10.35 Alright Now. 11.05 The Love Boat. 12.00 News and Weather in French.

GRAMPIAN

9.25 am First Thing. 9.30 The Search for the Persian Royal Road. 10.20 TV Movie: "The Brothers O'Toole." 11.55 Animal Alphabet. 1.20 pm News Headlines. †2.30 Monday Matinee: "Fanny By Gaslight," starring Phyllis Calvert. 5.15 Top Club. 6.00 North Tonight. 12.15 am Reflections. 12.20 North Late Night Headlines.

GRANADA

9.30 am Sesame Street. 10.25 Untamed World. 10.50 Cartoon. 11.00 The Outsiders. 11.45 The Magic Ball. 1.20 pm Granada Reports. †2.00 Monday Matinee: Phyllis Calvert in "Broken Journey." 3.35 Cartoon. 3.45 Food, Wine and Friends. 5.10 This Is Your Right. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Happy Days. 10.30 Reports Politics. 11.00 Mystery and Imagination: Robert Stack in "The Strange and Deadly Occurrance."

HTV

9.35 am Kum Kum. 10.00 "The Guru" starring Michael York. 11.50 Larry the Lamb in Toytown. 1.20 pm Report West Headlines. 2.00 The Monday Matinee: "A Night to Remember." 5.15 Dick Tracy. 5.20 Crossroads. 6.00 Report West. 10.35 Food, Wine and Friends. 11.05 Soap. 11.35 Twist in the Tale.

HTV Cymru/Wales—As HTV General Service except: 1.20 pm Penawdau Newyddion y Dydd. 1.25-1.30 Report Wales Headlines. 4.45-5.15 Ser. 6.00 Y Dydd. 6.30-7.00 Report Wales. 8.30-9.00 Yr Wythnos.

SCOTTISH

9.30 am The Maharajahs. 10.20 Ouch! 10.45 Adventure World of Sir Edmund Hilary. 11.10 The Kauri. 11.35 Friends of Man. 11.55 The Bubblies. 1.20 pm News and road and weather. 2.00 Monday Matinee: "War Between the Tates" starring Richard Crenna. 3.45 Food, Wine and Friends. 5.15 Cartoon. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Seachd Laithean. 6.45 Crimedesk. 10.30 Late Call. 10.35 Open to Question. 11.05 Maude. 11.35 Pro-Celebrity Snooker.

SOUTHERN

9.30 am Clue Club. 9.55 Coral World. 10.45 The Rovers. 11.10 Young Ramsay. 1.20 pm Southern News. 2.30 Monday Matinee: "The Intruders" starring Don Murray. 5.15 Dick Tracy Cartoon. 5.20 Crossroads. 6.00 Day by Day. 10.30 Southern News Extra. 10.35 Theatre in Camera. 11.35 Police Surgeon. 12.00 Farm Progress.

TYNE TEES

9.20 am The Good Word followed by North East News Headlines. 9.30 The Coral World. 10.20 Stars on Ice. 10.45 Animated Classics. 11.35 Clue Club. 1.20 pm North East News and Lookaround. 2.30 Monday Matinee: "Just Like A Woman" starring Wendy Craig and Francis Matthews. 5.15 Mork and Mindy. 6.00 North East News Headlines. 6.02 Crossroads. 6.25 Northern Life. 10.30 Northern Report. 11.00 North East News Headlines. 11.05 The Monday Movie: "The Strange Possession of Mrs. Oliver" starring Karen Black. 12.30 am Epilogue.

ULSTER

10.35 am Friends of Man. 10.55 Fireside Theatre. 11.45 Sean the Leprechaun. 1.20 pm Lunchtime. †2.00 Monday Matinee: "Broken Journey" starring Phyllis Calvert. 3.45 Food, Wine and Friends. 4.13 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 10.29 Ulster weather. 10.30 The Irish Factor. 11.00 The Odd Couple. 11.30 Gardening Today. 12.00 Bedtime.

WESTWARD

9.40 am Sesame Street. 10.40 The Beatles. 11.05 Survival Special. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.00 Monday Matinee: "A Matter of Life and Death" starring David Niven. 3.45 Food, Wine and Friends. 5.15 University Challenge. 6.00 Westward Diary. 10.32 Westward Late News. 10.36 Westward Television Darts Final. 11.05 The Love Boat. 12.00 Faith for Life. 12.05 am West Country weather and shipping forecast.

YORKSHIRE

9.30 am Heritage. 10.20 Dynomutt. 10.45 Untamed Frontier. 11.10 Stars on Ice. 11.35 The Paper Lads. 1.20 pm Calendar News. 2.00 Monday Matinee: "The Promise." 3.40 Cartoon Time. 3.45 Food, Wine and Friends. 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont editions). 10.30 Pro-Celebrity Snooker. 11.15 What's On Next? 11.45 The New Avengers.

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	200kHz/1500m & 92.95vhf
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	1215kHz/247m & 90-92.5vhf stereo

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡Medium wave

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Kid Jensen. 7.00 Stayin' Alive. 8.00 Mike Read. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.0 am News Summary. 5.03 Steve Jones (S) including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin, 8.45 Pause for Thought. 9.03 Favourite Five Singles. 10.03 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 12.32 FA Cup fourth round draw and 1.45 Sports Desk. 2.15 Ray Moore (S). 4.15 Much More Music (S). 5.00 News. 5.05 Waggoners' Walk. 5.20 John Dunn (S). 6.45 Sports Desk. 7.02 Music from the Movies (S). 7.30 Alan Dell with The Dance Band Days and at 8.02 The Big Band Sound (S). 9.02 Humphrey Lyttelton with the Best of Jazz (S). 9.55 Sports Desk. 10.02 The Law Game. 10.30 Star Sound. 11.02 Brian Matthew with The Late Show, including 12.00 News and 1.02. 2.02 am Cricket: Australia v England (reports). 2.03-5.00 You and the Night and the Music with Patrick Lunt (S) including 3.02, 4.02 Cricket.

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Bartok (S). 10.00 Bath Festival 1979 Concert part 1 (S). 10.35 Interval Reading. 10.40 Concert, part 2. 11.20 Bournemouth Symphony Orchestra concert, part 1 (S). 11.55 In Short. 12.05 pm Bournemouth Symphony Orchestra part 2 (S). 1.00 News. 1.05 BBC Lunchtime Concert (S). 2.00 Music for Organ (S). 2.40 Matinee Musicale (S). 3.40 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S). 6.30 The Ring of the Nibelung: "Siegfried," Act 1 (S). 8.10 Delacroix and Music: Talk by Hans Hollander (S). 8.25 "Siegfried," Act 2 (S). 9.45 The Poetry of Frances Cornford by Patric Dickinson. 10.00 "Siegfried," Act 3 (S). 11.55 News. 12.00-7.05 am Test Match Special: Australia v England.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today Live from India for the elections, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.45 The Great Railway Bazaar. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 Money Box. 10.30 Daily Service. 10.45 Little Women. 11.00 News. 11.05 Man's Cousin: the Gorilla. 11.50 Poetry Please! 12.00 News. 12.02 pm You and Yours. 12.27 Lord Peter Wimsey. 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen with Mother. 3.15 Afternoon Theatre. 4.45 Short Story. 5.00 PM News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Give or Take (S). 7.00 News. 7.05 The Archers. 7.20 Science Now. 7.45 The Monday Play. 9.15 Pennine Portraits. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The News Quiz. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Music at Night (S). 12.00 News.

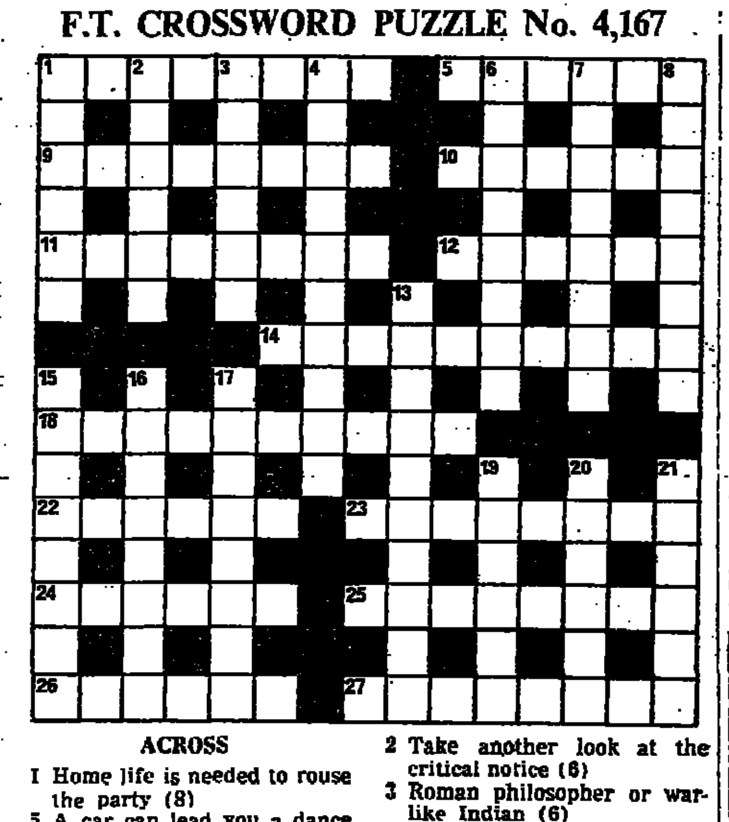
BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 3.03 Showcase. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00-5.00 am Join Radio 2.

Capital Radio

6.00 am Breakfast Show with Mike Smith (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 8.00 Capital Playhouse: "Vardo on the Westway" (S). 9.00 Alan Freeman (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Peter Young's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 4,167



ACROSS

1 Home life is needed to rouse the party (8)
5 A car can lead you a dance (6)
9 Tennis champion about to finish in colour (8)
10 The sign of promotion is rubbish to old Bob (6)
11 Finished actors can be dull (8)
12 The gang take it to the robber (6)
14 "Madam, I'm Adam" was clearly the first (10)
18 Fruit associated with 23 (10)
22 The story about the abstainer was just gossip (6)
23 Perfect with order but a joke in bed (5, 3)
24 There is something smart about an ancient king (6)
25 They could be in the pen or on the moor (8)
26 Scope from canvas cover (6)
27 Unrivalled noblewoman about fifty (8)

DOWN

1 Don collapsed—ouch! (6)
2 Take another look at the critical notice (6)
3 Roman philosopher or warlike Indian (6)
4 Modiste may line up with one who creates (10)
6 Not the direction in which the introvert's thoughts run (8)
7 Gunner in parachute descent causes slight precipitation (4-4)
8 Confections have very little draw aboard (8)
13 Mike appears at length (10)
15 "Ride on over all —s and win the race." (Dickens) (8)
16 Bird with the French connection needs a strict disciplinarian (8)
17 Keen lots provide the framework (8)
19 Growing dwelling place for the luxurious (6)
20 Indian sees father in pain (8)
21 Sight is one of five (6)

The Solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

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INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS — BY NICHOLAS COLCHESTER

A distinct feeling of surfeit

THE INTERNATIONAL bond markets were being run by a skeleton crew last week. The Swiss market was open only on the last two days. The Japanese were effectively absent all week. In Dusseldorf, Frankfurt and London trading desks were thinly populated. Deutsche Bank, for instance, is resuming full market making in dollar bonds only this week.

Nobody who stayed away missed anything, except the eruption of the gold market. The gold price surged to $650 an ounce before receding to $590 for a net gain of $80 over the week. The dollar exchange rate was again under pressure, dipping briefly below DM 1.70.

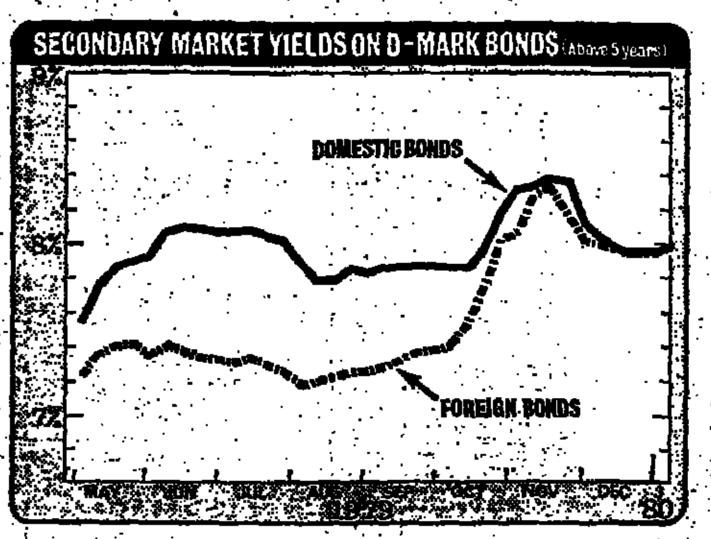
The U.S. bond market finished the week in poor shape with prices of Government bonds falling a point on both Wednesday and Thursday. The three-month Eurodollar interest rate help up at 14¼ per cent.

The result was that prices in the dollar sector of the international bond market fell by an average of ½ per cent in thin trading. Kidder Peabody pointed out that this restored yields to the highs recorded in the last week of October last year, with long bonds of good quality paying over 12 per cent to maturity. "The prime rate may have fallen," said Mr. Stanley Ross of Ross and Partners, "but the bond market keeps telling us that U.S. interest rates are going up."

Quite apart from the clouded outlook for U.S. interest rates, so gloomily reminiscent of the situation a year ago, the bond primary market has not currently got the appetite to launch risky issues. One leading investment banker told of "very large stuck underwriting positions," estimating that "there are 20-30 houses with $15m-$20m each of FRNs and other bonds on their books."

FRNs are thought to comprise a good proportion of this overhang which is reflected in the secondary market prices of some floaters. The Industrial Bank of Japan 87, for instance, carries a current coupon of 14¼ per cent and is quoted in the market at only 97½. The sole new dollar bond announced in this unfriendly environment was a $25m FRN for Banco de Bogota. It will pay ¾ per cent over six-month libor and is being lead managed by Chemical Bank International.

The two-tranche Yankee bond for the European Investment Bank is due to be priced on Monday night. This must be considered a ticklish task.



Indicated coupons are 11¼ per cent for the 1987 tranche and 11⅞ per cent for the 1999 portion, but First Boston is already saying that a prices discount will be needed. The EIB 11¼ per cent 1992 Eurobonds were yielding 12.15 per cent on Friday.

German bankers are waiting a little anxiously for overseas investment interest in D-mark bonds to emerge. They have set themselves a heavy calendar of new international D-mark issues this month and the domestic bond market is suffering from mild indigestion. A sign that German domestic bond yields are climbing came on Friday when a 12-year issue for the Federal railways was given a coupon of 8 per cent instead of the 7¾ per cent expected in some quarters.

The chart shows how domestic bond yields in Germany are currently indistinguishable from foreign bond yields — implying that the foreign bond market is currently dependent upon domestic rather than overseas investors. One would expect the present prevalence of international doubts and fears to favour D-mark investment, but the first thin week of trading this year provided no evidence of this. Prices of foreign D-mark bonds fell by an average of ½ per cent.

The DM150m new issue for Ireland is being viewed with some curiosity abroad because it is being underwritten by an exclusively German syndicate led by Commerzbank. The lead manager is keeping the reason for this exclusivity to itself, but it appears to derive from Ireland's negotiations to join the European Monetary System and some form of financial aid which was negotiated with the German Government at the time. This accord could explain the use of an all-German syndicate for this financing.

Next week, Deutsche Bank is launching a DM200m five-year bond for Norway. The coupon of 7¾ per cent reflects the lead manager's confidence that there is an appeal in the name. Certainly, the existing Norway 8½s are currently yielding well under 7 per cent in the secondary market.

Despite the steel strike in Britain, sterling has held up well and shows no net movement against the Swiss franc or Deutsche Mark since the start of the year. The Eurosterling bond sector remains very quiet but the prices do reflect an apparent overseas interest in the high long-term yields currently available in the UK. The yields on existing Eurosterling issues hase fallen by between 0.25 and 0.75 per cent in the past month and the gap between gilt yields and Eurosterling yields has widened. Currently 10-12-year gilts yield around 15 per cent whereas Eurosterling yields are between 13½ and 14 per cent. Merchant banks consider what new issues with coupons a little over 14 per cent would now be feasible. But borrowers are proving shy of borrowing sterling at such a rate.

● For British investors newly released from exchange controls the London stockbroker, Phillips and Drew, has produced a short and informative guide explaining the workings of the Eurobond market. Separately, it points out that London brokers are not bound to charge stock exchange commissions on international bond transactions as was implied in a recent Financial Times survey on worldwide investment.

SCHULDSCHEINE — BY FRANCIS GHILES

The backdoor into D-Marks

"IN PHASES of acute speculation foreigners can hardly be prevented from acquiring the desired Deutsche-Mark assets in one way or another. But apart from this, the rush into the Deutsche-Mark as an investment currency for non-residents can be moderated somewhat by selective measures." This quotation is taken from a recent study published by the West German Bundesbank entitled, The DM as an international currency.

Coming at the end of the year during which the tribulations of the U.S. dollar have mostly made headlines, the slight contraction in the volume of foreign D-Mark bonds issued in 1979 may appear somewhat paradoxical. The paradox, however, is more apparent than real. International investors have been buying far more D-Mark paper than the figure of $8.7bn for international D-Mark bonds at first suggests. They have been buying Schuldscheine notes, some DM10bn ($6bn) of which are estimated to have gone into non-German portfolios last year.

Exact figures are impossible to come by, but this figure is believed to represent a 50-100 per cent increase on the previous year.

Thus, among the "selective measures" hinted at in the Bundesbank study, many German bankers believe that some kind of restriction on the sale of Schuldscheine notes for foreigners could well be introduced during 1980.

Schuldscheine are roughly equivalent to promissory notes. They are issued by a large number of federal and state agencies of the Federal Republic but only those issued by German banks — and which carry a maturity of more than four years and one day—can be sold to non-German investors.

Although amounts of notes as small as DM100,000 can be bought, it is much easier to trade amounts of over DM1m and up to DM5m. The size of transaction needed — at this level the market is remarkably liquid — restricts the list of acceptable customers. This includes Swiss banks, international organisations, central banks, international bond funds and some wealthy individuals.

Investing in Schuldscheine notes presents other advantages, especially if compared with foreign D-Mark bonds. The yield they offer is usually higher, although not quite as high as German residents may obtain on domestic D-Mark bonds.

Selling Schuldscheine notes to non-German residents was initiated in particular by Westdeutsche Landesbank in the early 1970s. Only during the past two years have sales soared. Other banks were quick to follow the big ones which had given the lead and, unlike their bigger brothers, they are apparently showing no signs of moderating their sales drive abroad. It would appear that the larger banks are, to some degree, heeding Bundesbank advice for self-restraint.

Although the current degree of uncertainty engendered by oil prices, the Iranian affair and the tensions over Afghanistan might appear to further increase the investment trend which the Bundesbank is worried about, two bond market commentators were wondering last week whether the lure of the D-Mark might be fading.

Ross and Partners (Securities) devoted the bulk of its prognosis for the 1980s to the argument that the tide could turn against West Germany this decade as the "worst world recession since the 1930s" bites into German exports. It feels that this decade will see investors lose their appetite for hard currencies and move back into the dollar because "while much of the U.S. deficit problem could be self-curing, that of continental Europe cannot."

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡†United Mizrahi	15	1984	4	7Φ	100	Bank Hapoalim	7.120Φ
ECSC	40	1988	6¼	11¾	*	Nomura Secs.	*
††EIB	150	1987	7	‖	*	First Boston	*
††EIB	100	1999	13	‖	*	First Boston	*
†Banco de Bogotà	25	1985	5	7	100	Chemical Bank	7.120Φ
D-MARKS							
Denmark	100	1986	6	7¾	*	WestLB	*
Denmark	100	1992	9.2	8¼	*	WestLB	*
BFCE (g'teed France)	100	1987	7	7¾	*	Dresdner Bank	*
BFCE (g'teed France)	100	1995	11½	8¼	*	Dresdner Bank	*
Ireland	150	1988	8	8¼	100	Commerzbank	8.125
Norway	200	1985	5	7¾	99¾	Deutsche Bank	7.562
SWISS FRANCS							
‡**Canadian Devmt. Corp. Oil & Gas	50	1987	—	5¾	100	Credit Suisse	5.750
‡Osterreichische Donaukraftwerke (g'teed Austria)	60	1990	—	5	100	UBS	5.000
LUXEMBOURG FRANCS							
‡EIB	600	1988	8	9¾	100	Kredietbank (Lux) SA	9.750
YEN							
‡World Bank	30bn	1995	12.3	8.2	99¾	Nikko Secs.	8.399
AUSTRIAN SCHILLINGS							
‡EIB	500	1989	7¼	8	99¼	Creditanstalt	8.075
World Bank	1bn	1990	8	8	*	Creditanstalt	*
UNITS OF ACCOUNT							
‡City of Gothenburg	11	1989	7.95	9¼	100	Kredietbank Intnl. Grp.	9.125
NORWEGIAN KRONER							
‡Nordic. Invst. Bank	80	1985	5	10	100	Den Norske	10.000

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Φ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund. ‖ Postponed. Note: Yields are calculated on AIBD basis.

U.S. BONDS — BY IAN HARGREAVES

Still marking time

ANY POSSIBILITY of the U.S. credit markets enjoying their customarily gentle return to full consciousness after the holiday season was destroyed last week by events in Afghanistan and yet another bout of world gold fever.

Although the general feeling is that the credit markets have not yet responded in full to these developments, preferring to wait until a more settled pattern emerges, the events cast a backcloth of panic behind the seasonally light trading.

Prices on most categories of bonds weakened in the curtailed Monday to Thursday trading period and a partial recovery on Friday was insufficient to offer much confidence about prospects for the coming week, when a larger amount of new business will be transacted.

One by-broduct of the turbulent conditions was the chalking up of another money markets record—this time for Treasury 15-year bonds, which sold in the week's only new issue at an average yield of 10.6 per cent, the highest level since the Civil War. This compares with a yield of 10.17 per cent accepted at the last sale of this type of security in October.

With pressure ebbing and flowing in the short-term money markets, opinion remains deeply divided upon the likely course of events in the next few months.

All ears were cocked to Washington in midweek when Mr. Paul Volcker, chairman of the Federal Reserve, returned publicly to his theme of monetary restraint and the fight against inflation. Not surprisingly, he reaffirmed his faith in his tactics, but the vagueness in which he cast some of his remarks, combining with the aforementioned turmoil in Afghanistan, paved the way for contrary interpretation by experts.

Dr. Henry Kaufman, of Salomon Brothers, bolstering the pessimists' forecasts of higher interest rates this year, pronounced that the Federal Open Market Committee, due to meet on Wednesday, will face "challenges equal to and to some extent even surpassing' those of early October which led to the initial Volcker package.

Optimists, however, are drawing strength from the fact that the latest surge in gold prices has not yet had the devastating effect on the dollar which might have been expected. Indeed, some analysts are arguing that Mr. Volcker's remarks this week, reiterating his view that short-term interest rates are not a useful pointer to Federal money policy, were designed to prepare foreign exchange markets for a further weakening of U.S. interest rates.

The optimists can also continue to point to the fact that the important indicator of money supply growth continues to track in line with the Feds goals. The figures released at the end of last week showed increases (M1 was up by $2bn) but these appear to be seasonal rather than underlying changes.

This week should provide a more accurate reading of bond market sentiment as a number of major municipal and utility bonds are issued.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	89½	90	−0⅛	−0⅛	11.83
Alex Howden XW 9½ 91	30	77	79	0	0	13.33
Australian Res. 9⅞ 84	30	91⅞	91⅞	−0⅛	−0⅛	12.11
Avco O/S Cap. 10⅞ 87	40	82½	83⅛	0	−0⅞	14.10
Beneficial Fin. 9⅞ 87	100	89⅞	90⅜	−0⅛	−0⅛	11.77
CECA Gr. Rate 10⅞ 91	150	83¾	84⅜	−0⅛	−0⅜	12.13
CECA 9¾ 99	125	†80⅜	81⅞	0	−0⅜	12.72
Canadian Pacific 9⅞ 89	50	89½	90	−0⅛	−0⅛	11.58
Carter Hawley 9¾ 86	60	89½	90	0	−0⅛	12.09
Comalco Inv. E. 10⅛ 91	40	90⅛	90¾	−0⅛	−0⅛	11.77
Continental Grp. 9⅞ 86	100	89⅞	90⅜	−0⅛	−0½	11.86
Dome Petroleum 10 94	50	89¾	89¾	0	−0⅛	11.50
Dominion Bridge 10⅞ 84	30	94⅞	95⅜	−0⅛	−0½	11.71
Dow Chem. O/S 9⅞ 84	200	86⅞	87⅞	−0⅛	−0⅞	11.54
EIB 9⅞ 87	150	90⅞	91⅝	−0⅛	−0⅞	12.01
EIB 10 99	150	85⅞	85⅜	−0⅛	−1⅛	12.21
EIB 10⅞ 87	100	92½	93	0	−0⅛	11.97
EIB 10.15 99	100	86⅞	87⅞	−0⅛	−0⅞	12.21
Export Dv. Cpn. 9⅞ 84	100	91⅞	92⅜	−0⅛	−0½	11.81
Export Dv. Cpn. 9⅞ 84	150	92⅞	93⅜	−0⅛	−0⅛	11.71
Finland 9⅞ 89	100	87⅛	87⅞	−0⅛	−1	12.20
GTE Finance 9½ 84	50	*92⅛	93⅛	0	0	11.70
GTE Finance 9⅞ 89	55	88⅞	88⅞	0	−0⅛	11.78
GMAC 9⅞ 86	100	88⅜	89⅜	0	−0½	11.75
Gould Int. Fin. 9⅞ 85	50	92	92½	−0⅛	−0½	11.82
Hudson Bay Co. 10 94	50	88⅞	89⅜	−0⅛	−1	11.59
ITT Antilles 9½ 89	75	85⅜	86⅛	−0⅛	−0⅛	11.98
Kennecott Int. 9½ 86	100	87	87⅞	−0⅛	−0⅛	12.49
Manitoba 9½ 89	75	86⅜	87⅛	−0⅛	−1⅛	11.91
Michelin 10 94	125	87⅞	88⅜	−0⅛	−0½	11.74
Nat. Des. Telecm. 9½ 86	100	90⅛	90⅝	−0⅛	−0⅛	11.68
New Brunswick 9¾ 94	75	85⅜	86⅛	−0⅛	−0⅛	11.84
Newfoundland 10 94	50	89¾	89⅞	−0⅛	−1	11.60
Norges Komm. 9⅞ 99	100	85⅜	86⅛	−0⅛	−1⅛	12.05
Norway 9½ 84	150	92½	93	−0⅛	−0⅛	11.69
Nova Scotia Pwr. 9⅞ 89	50	87⅛	88⅛	−0⅛	−0⅛	11.92
Occidental Fin. 10⅛ 84	50	93⅜	94⅛	−0⅛	−0⅛	12.04
Orient Leasing 9½ 86	25	†88	89½	0	+0⅛	12.19
Pennwalt O/S F. 9⅞ 84	25	92⅛	92⅞	−0⅛	−0⅛	12.04
Pepsico Cap. 9⅞ 84	100	92⅜	92⅞	−0⅛	−0½	11.56
Quebec Hydro 10 99	75	86⅜	86⅞	−0⅛	−0⅞	11.80
Sears Roebuck 9 82	150	93⅜	94⅛	−0⅛	−0⅛	12.37
Statoil 9⅞ 89	100	88½	89	−0½	−0⅞	11.61
Sweden 9¾ 89	100	88⅞	89⅜	−0⅛	−0½	11.75
Sweden 9½ 86	200	90⅜	91⅛	−0½	−0⅛	11.88
Sweden 9¾ 84	100	92⅞	93⅜	0	0	11.73
Unilever NV 9¾ 87	100	88	88½	0	−0⅛	11.85
Warner-Lambert 9 84	100	90⅞	91⅜	−0⅛	−0⅛	11.61

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 8 87	100	98	98½	0	−0⅛	8.30
Argentina 7½ 89	150	94	94⅜	−0⅛	−0⅛	8.38
Asian Dev. Bk. 7⅛ 89	100	94⅜	95½	0	−0⅛	7.99
Banco Desarrollo 7⅛ 86	100	93½	94⅜	−0⅛	−1⅛	8.58
Barclays O'seas 6⅞ 89	100	95⅜	96⅛	0	−0⅛	7.37
Brazil 8 87	150	96½	97⅛	−0⅛	−0½	8.56
CECA 7 91	150	93⅞	94⅜	−0⅛	0	7.78
Council of Eur. 7⅛ 88	100	95⅞	96⅜	−0⅛	−0⅛	7.82
EEC 7⅞ 84	225	98⅜	98⅞	0	−0⅛	8.05
EIB 7⅜ 89	200	97⅞	98⅜	−0½	−0⅛	7.76
Eletrobras-Brazil 7 87	100	93⅜	93⅞	+0⅛	+0½	8.25
Eurofima 6½ 89	100	96	96⅜	+0⅛	+0⅛	7.05
Kobe, City of 7⅛ 89	150	97⅜	98⅛	0	−0⅛	7.45
Mitsubishi Chem. 6½ 84	70	96⅜	97⅛	−0⅛	−0⅛	7.39
Neder. Gasunie 8 86	100	103⅜	103⅞	+0½	−0⅛	7.36
New Zealand 7⅛ 87	200	98⅜	99⅛	+0⅛	+0½	7.39
Nippon Kokan 6½ 84	100	95⅜	95⅞	−0⅛	−0⅛	7.77
Nippon Tel. & T. 5½ 87	100	88⅜	89⅛	−0⅛	−1⅛	7.61
Norges Komm. 7⅞ 91	150	100⅞	101⅛	0	−0⅛	7.57
Norges Komm. 8⅛ 94	150	101⅛	101⅞	+0⅛	−0⅛	8.07
Norway 6⅞ 84	200	98	98⅛	0	−0⅞	6.89
OKB 6 87	40	90	90⅜	−0⅛	−0⅛	7.82
OKB 7⅛ 89	100	97½	98⅛	0	−0⅛	7.69
Tokyo Elec. Pwr. 6½ 85	200	95⅞	96⅜	+0⅛	−0½	7.36
World Bank 7⅛ 91	400	98	98⅛	−0⅛	−0⅛	7.86

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentine 5½ 89	80	95½	95⅞	−0⅛	−0⅞	6.11
Aumar 5 89	80	94	94½	−1⅛	0	5.80
Australia 3⅞ 89	250	91⅞	91⅛	+0⅛	+0⅛	4.82
Bergen, City of 4⅞ 91	40	95⅜	95⅞	−0½	−0⅛	5.25
BNDE 5 89	75	89⅜	89⅜	−0½	−0⅛	6.50
BMW Overseas 4⅞ 91	100	96½	96⅜	+0⅛	+0⅛	4.86
Caisse Nat. Tele. 4½ 89	100	96½	97⅛	−0⅛	−0⅛	4.78
Canada 3⅞ 89	300	92⅜	92⅞	0	+0⅛	4.64
Copenhagen 4½ 91	80	94½	95⅛	−0⅛	+0⅛	5.07
Council of Eur. 5 89	100	96	96⅛	+3⅛	−0⅞	5.48
EIB 4½ 91	100	90½	91½	−0⅛	0	5.56
EIB 4⅞ 94	100	88	88½	−0½	−0⅛	5.57
Elet. de France 4⅞ 89	100	97	97⅜	−0⅛	−0⅛	4.74
GZB 4⅞ 89	100	92½	93	−0⅛	−0½	5.21
Hilti 4½ 91	35	96½	97	−0⅞	−1⅛	4.61
ICI Fin. NV 3½ 94	230	81½	81⅞	−0⅛	+0⅛	5.38
Int.-Amer. Dev. 4½ 89	100	91	91½	−0½	−0⅛	5.70
Malaysia 5 89	80	90	91	−0⅛	−0⅛	6.33
Nippon Tel. & T. 4⅞ 89	100	95⅞	96⅛	−0⅛	−0½	4.75
Nordic Bank 5 89	45	100	100⅜	−0⅛	−0⅛	4.98
Norges Komm. 4⅞ 91	100	93⅞	94⅛	−0⅛	−1	5.05
OKB 3⅞ 91	100	84½	85	−0⅛	−1	5.62
OKB 4⅞ 91	100	90½	90⅞	−0⅛	−0⅛	5.51
Oslo, City of 4⅞ 91	100	90⅜	90½	−0⅛	−0⅛	5.50
Shikoku El. Pwr. 4⅞ 89	100	98	98⅛	−0½	−0⅛	5.00
Spain 4 91	100	88	88½	0	−0½	5.43
Stewoag 4⅞ 91	80	96⅜	97⅛	−0⅛	+0⅛	5.10
Voest-Alpine 4⅞ 89	80	98⅜	98⅞	−0⅞	+1⅛	4.92
World Bank 4⅞ 89	100	97⅛	98⅛	−0½	+0⅛	4.89
World Bank 4⅞ 89	150	94⅜	95	−0⅞	−0⅛	5.05
World Bank 4⅞ 91	100	93⅜	93⅞	−0⅛	−0⅛	5.39

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	89½	90½	+0⅛	+0⅛	8.85
Australia 6½ 88	20	84⅜	85⅜	+0⅛	+0⅛	9.13
EIB 7⅛ 89	12	98⅛	98⅞	+0⅛	+0⅛	7.93
Finland 5.6 83	10	88⅛	89⅛	−0⅛	0	9.11
Finland 6.8 88	10	87	88	−1	−1⅛	9.04

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avco Fin. 10⅛ 86 C$	25	88⅛	88⅞	+0⅛	+0⅛	12.98
Bell Canada 10⅜ 86 C$	60	93⅛	93⅞	−0⅛	−0⅛	12.22
Cr. Foncier 10⅛ 84 C$	30	†90½	91⅛	0	+0⅛	13.06
Ex. Dev. Cpn. 10 84 C$	50	92⅜	92⅞	−0⅛	0	12.28
Fst. Can. Inv. 10 84 C$	50	91⅛	91⅞	−0⅛	0	12.65
Hudson Bay 10½ 89 C$	80	89⅜	90⅛	−0⅛	−0⅛	12.35
Quebec 10⅛ 86 C$	60	91	91⅛	−0⅛	−0⅛	12.27
R. Bk. Canada 10 86 C$	40	92⅜	92⅞	−0⅛	−0⅛	11.74
R. Bk. Canada 10 94 C$	40	85⅜	85⅞	−0⅛	−0⅛	12.14
Copenhagen 8⅞ 91 EUA	25	†91½	93	0	+0⅛	9.37
Copenhagen 8⅞ 91 EUA	20	†98⅜	99⅛	0	−0½	8.84
SOFTE 8⅞ 89 EUA	40	†89½	90	0	0	10.08
Algemene Bk. 8⅞ 84 Fl	75	97⅛	97⅜	0	+0⅛	8.90
Amev 8½ 86 Fl	75	97⅛	98⅛	0	+0⅛	8.87
Ned. Middbk. 8⅞ 84 Fl	75	96⅜	98⅜	0	+0⅛	9.27
Norway 8⅞ 84 Fl	100	95⅞	96⅜	0	+0⅞	9.39
Norway 8⅞ 84 Fl	100	96	96½	0	0	9.24
Rabobank 9 84 Fl	25	100⅛	100⅞	0	+0⅛	8.86
Air France 11 84 FFr	120	97⅛	98⅜	0	0	11.47
Euratom 9⅞ 87 FFr	150	85⅜	86⅜	−0⅛	−0⅛	12.78
Finland 11 84 FFr	80	95⅜	96⅜	0	−0⅛	12.16
Finland 11½ 89 FFr	70	94⅜	95⅛	0	−0⅛	12.44
Gaz de France 11 84 FFr	150	97⅛	98⅛	0	−0⅛	11.65
Norway 9⅞ 84 FFr	200	89½	90½	0	−0⅛	12.47
Renault 9⅞ 85 FFr	100	88⅞	89⅞	0	0	12.50
Saint-Gobain 9⅞ 86 FFr	130	85½	86½	0	−0⅛	13.09
Solvay et Cie 9⅞ 87 FFr	125	83⅛	84⅛	0	−0⅛	13.38
Total Oil 9⅞ 87 FFr	150	82⅜	83⅜	−0⅛	−0⅛	13.12
EIB 11½ 91 £	25	87	87½	0	−0⅛	13.74
Finance for Ind. 13 91 £	15	95⅜	95⅞	+0⅛	+0½	13.79
Fin. for Ind. 12½ 89 £	30	92⅜	93⅛	+0⅛	+0⅛	13.88
Gen. Elec. Co. 12⅞ 89 £	50	92⅛	93⅛	+0⅛	+0⅛	13.87
Indonesia 8⅞ 91 KD	7	†93½	94	0	0	9.66
Mitsubishi 7½ 84 KD	10	†95⅜	95⅞	0	0	8.68
Norges Kom. 7½ 89 KD	12	†93⅛	93⅞	0	0	8.50
Occidental 8⅞ 91 KD	7	†90⅛	90⅞	0	0	9.65
Akzo 9⅞ 87 LuxFr	500	†94⅜	95⅜	0	−0⅛	10.15
Euratom 8 87 LuxFr	500	90⅜	91⅛	0	0	9.73
Oslo, City of 8 89 LuxFr	500	89⅜	90⅜	0	−0⅛	9.62
Volvo 9⅞ 87 LuxFr	500	98⅜	98⅞	0	+0⅛	9.98

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Banco di Roma Int. 6 87	0⅛	99⅜	100⅛	26/4	15⅞	15.77
Banco Prov. BA 7⅛ 88	0⅛	96⅜	97⅛	5/6	14½	14.95
Banco Urquijo 6 88	0⅛	97⅛	95⅞	21/3	13⅜	13.74
Bank of Ireland 5⅞ 89	‡0⅛	96⅞	97⅜	21/2	15.69	16.15
Bank of Tokyo 5⅞ 89	‡0⅛	97⅞	98⅜	25/1	16.19	16.50
Bergen Bk. A/S 6 89	‡0⅛	95⅜	96⅛	29/2	14.31	14.93
Bque. Indo Suez 5⅞ 89	0⅛	98⅞	98⅜	11/1	11	11.18
BNP 5½ 91	0⅛	97	97½	22/2	11.94	12.28
Citicorp O/S F. 6 94	‡0⅛	98½	99	8/3	14.44	14.62
Citicorp O/S F. 83	§‡0	99½	100	23/2	15⅛	15.16
Citicorp O/S F. 84	‡0	98⅞	99⅜	29/2	13⅜	13.75
Co-operative Bk. 6 88	0⅛	97⅜	98⅛	15/5	15.06	15.39
Creditanstalt 5½ 91	§‡0⅛	97⅜	98⅛	14/3	14⅞	15.18
CNT 5⅞ 86	§0⅛	99⅛	99⅜	16/4	15.19	15.28
GZB 5½ 89	‡0⅛	98⅜	99⅛	1/2	16.19	16.37
Jugobanka 8 89	0⅛	94⅜	95⅜	23/5	16	16.82
Ind. Bank Japan 5⅞ 87	0⅛	96⅞	97⅜	15/4	14⅛	14.67
LTCB Japan 5⅞ 86	0⅛	97⅜	97⅞	13/6	14⅛	14.60
LTCB Japan 5½ 89	0⅛	97⅛	97⅜	7/6	14.19	14.55
Mfrs. Han. O/S 5⅞ 94	‡0⅛	98⅜	98⅞	29/2	13.81	14.01
Nacional Fin. 6⅞ 86	0⅛	97⅛	97⅜	25/1	11½	11.79
Nat. West. 5⅞ 94	§0⅛	97⅜	98⅛	11/1	14.94	15.25
Nippon Cred. Bk. 6½ 86	0⅛	97	97½	12/1	10⅞	11.18
Royal Bk. Scot. 5⅞ 94	§‡0⅛	98⅜	98⅞	11/1	14.94	15.17
Soc. G. de Bque. 6½ 87	0⅛	96⅜	96⅞	3/4	13⅛	13.73
Sogenal 5⅞ 89	§0⅛	96⅜	96⅞	11/1	10.81	11.20
Sweden 5⅞ 91	‡0⅛	97⅜	97⅞	18/1	16	16.36
TVO Pwr. 9 91 (D-lock)	0⅛	97⅜	97⅞	24/5	15.31	15.69
Utd. Overseas Bk. 6 89	‡0⅛	97	97½	29/12	12.94	13.31
Williams & Glyn 5⅞ 91	0⅛	96½	97	14/3	13	13.44
Bq. E. d'Alg. 4⅞ 89 SF	0⅛	95⅜	96⅛	18/8	6.89	6.97

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Akt'bolag 7⅞ 89	10/79	145	†99	100	0	−8.23
Alco Int. Fin. 8½ 94	1/80	40	91⅛	92⅜	+0⅛	15.00
Asahi Optical 7 94	11/79	606	92⅞	93⅜	−1⅛	3.25
Canon 6⅞ 94	8/79	570	105⅞	106⅜	−0⅛	−1.99
Ciba-Geigy O/S F. 4 94	9/79	676	88½	89½	+0⅛	−2.11
Credit Suisse 4⅞ 93	10/79	1326	107⅛	108⅞	−0⅛	−0.69
Daiei Inc. 6½ 94	11/79	1020	97	98	−0⅛	5.30
Essalte 7⅞ 89	8/79	159	92½	93½	−0⅛	−4.44
Honda Motor 5½ 89	5/79	632	104	105⅛	−2	−4.27
LPC Internatnl. 8 89	9/79	35	†99	100½	−1⅛	9.10
Maidensha Elec. 7 94	12/79	210	†94	95	0	19.65
Mitsubishi Cp. 6½ 94	10/79	604	122	123⅜	−4⅞	5.13
Nippon Seiko 7⅞ 94	12/79	339	†93	94	0	3.21
Nitto Elec. Ind. 6 94	7/79	795	85⅜	86⅜	−1⅛	14.25
Toshiba Cpn. 7⅞ 94	10/79	198	97⅛	98⅛	−0⅛	6.97
Union Bk. Switz. 5 89	2/80	125	109½	111⅛	−0⅞	8.64
Fujitsu 5 84 DM	7/78	475	100⅞	101⅛	+0⅛	14.38
Kansai Elec. 4 84 DM	4/79	1234	86⅜	87⅜	0	52.46
Tokyu Ld. Cp. 4 86 DM	4/79	493	79⅛	80⅛	+0⅛	53.75
Uny Co. 6½ 85 DM	11/79	1071	98⅜	99⅜	0	24.23

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
Jan. 4	91.01	10.34	81.17	11.08
Dec. 21	91.02	10.29	81.20	11.07
High '80	91.03	(2/1)	81.19	(2/1)
Low '80	91.01	(4/1)	81.17	(4/1)

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	396.2	932.5
Previous week	407.4	1,363.4
Other bonds		
Last week	204.5	185.3
Previous week	123.2	180.5

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

WORLD STOCK MARKETS

NEW YORK

[illegible]

CANADA

[illegible]

HOLLAND

[illegible]

JAPAN

[illegible]

ITALY

[illegible]

NORWAY

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

FRANCE

[illegible]

AUSTRALIA

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

High	Low	Stock	Price
3.87	2.05	Highveld Steel	3.55
6.05	2.18	Huletts	6.05
31.00	10.70	Kloof	25.00
5.20	3.05	Nedbank	5.20
13.00	6.90	OK Bazaars	13.00
2.70	1.45	Protea Hldgs	2.70
6.80	3.35	Rembrant	6.80
2.75	1.23	Rennies	2.90
6.00	2.10	Rust Plat	6.00
3.00	1.55	Sage Hldgs	2.55
2.95	1.20	SA Brews	2.88
5.40	2.55	SAPPI	5.40
11.25	5.00	Smith CG Sugar	11.25
1.85	0.73	Sorec	1.80
14.20	9.90	Tiger Oats	14.20
2.00	1.13	Unisec	1.95

Financial Rand US$ 0.92½ Discount of 24%)

BRAZIL

1979 High	Low		Jan. 4 Price Cruz
1.62	0.78	Acesita	1.14
2.93	1.25	Banco Brasil	2.68
1.69	1.24	Banco Itau	1.48
2.80	0.85	Belgo. Min.	1.95
3.40	1.85	Lojas Amer.	2.30
2.38	1.21	Petrobras PP	1.70
1.89	1.04	Pirelli	1.34
3.85	1.67	Souza Cruz	3.13
6.40	3.70	Unip PE	4.85
3.48	1.03	Vale Rio Doce	3.25

Turnover: 363.2m. Volume: 160.4m.
Source: Rio de Janeiro SE.

TEL AVIV

Company	Prices Jan. 6 1980	Change on the week
Bank, Insurance and Finance		
Bank Leumi le Israel	638	+ 16.0
IDB Bankholding	—	—
Bank Hapoalim Br.	767	+ 20.0
Union Bk. of Israel Br.	605	+ 14.0
United Mizrahi Bank	401	+ 8.0
Hassneh Insurance Bk.	319	+ 4.0
Gen. Mortgage Bk. Br.	448	+ 6.0
"Tefahot" Israel Mort. Bank Br.	300	+ 70.0
Land Development		
Africa Israel Investment I£ 10	495	− 30.0
Israel Land Devpmt. Br.	250	+ 47.0
Property and Building	371	+ 16.0
Public Utility		
Israel Electric Corpn.	365	+ 60.0
Investment Companies		
Bank Leumi Invest.	438	+ 14.0
"Clal" Israel Invest.	517	+ 15.0
Discount Invest.	228	+ 8.0
Commercial and Industrial		
Alliance Tire & Rubber	†1,157	+ 35.0
Elco Br.	116	+ 4.0
Argaman Textile, Br.	170	+ 19.0
"Ata" Textile "B"	107	+ 14.5
Amer. Israeli Ppr. Mills	573	+ 29.0
Assis	223	+ 22.0
Elite	242	+ 28.0
Texa Reg.	339	+ 28.0
Fuel and Oil		
Delek	‡180.5	+ 16.5

Source: Bank Leumi le Israel, BM, Tel Aviv. † Bid. ‡ Buy only.

Spain Prices, Page 21

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

GERMANY

[illegible]

DENMARK

[illegible]

HONG KONG

[illegible]

Indices

NEW YORK—DOW JONES

	Jan. 4	Jan. 3	Jan. 2	Dec. 31	Dec. 28	Dec. 27	1979-80 High	1979-80 Low	Since Compltn High	Since Compltn Low
◆Industr'ls	828.84	826.51	824.57	838.74	838.91	840.10	897.61 (5/10)	796.67 (7/11)	1051.70 (11/73)	41.22 (2/7/32)
H'me B'nds	75.76	75.76	75.47	75.85	75.86	75.59	86.10 (15/8)	75.35 (31/12)	—	—
Transport.	251.51	247.22	249.71	252.39	253.26	252.97	271.77 (15/8)	205.78 (27/2)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	106.84	106.16	105.89	106.60	107.04	107.61	109.74 (17/12)	98.24 (24/10)	165.32 (20/4/69)	10.52 (28/4/42)
TradingVol 000's	35,410	50,730	41,820	31,530	34,510	31,540	—	—	—	—

◆Day's high 835.53 low 819.03

Ind. div. yield %	Dec. 28	Dec. 21	Dec. 14	Year ago (approx)
	6.03	6.03	6.00	6.00

STANDARD AND POORS

	Jan. 4	Jan. 3	Jan. 2	Dec. 31	Dec. 28	Dec. 27	1979-80 High	1979-80 Low	Since Cmpil't'n High	Since Cmpil't'n Low
†Indust'ls	118.32	117.81	118.41	121.02	120.88	121.04	124.49 (15/10)	107.08 (27/2)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	106.52	105.22	105.76	107.94	107.84	107.96	111.27 (5/10)	96.13 (27/2)	125.85 (11/1/73)	4.40 (1/6/32)

	Jan. 2	Dec. 26	Dec. 19	Year ago (approx)
Ind. div. yield %	5.38	5.27	5.24	6.21
Ind. P/E Ratio	7.84	7.67	7.70	8.56
Long Gov. Bond Yield	10.16	10.17	10.09	8.95

N.Y.S.E. ALL COMMON

Jan. 4	Jan. 3	Jan. 2	Dec. 31	1979-80 High	1979-80 Low
61.17	60.34	60.69	61.95	62.88 (21/9)	53.88 (27/3)

Rises and Falls	Jan. 4	Jan. 3	Jan. 2
Issues Traded	1,869	1,921	1,909
Rises	1,254	440	436
Falls	304	1,144	1,151
Unchanged	311	337	322
New Highs	—	13	62
New Lows	—	67	35

MONTREAL

	Jan. 4	Jan. 3	Jan. 2	Dec. 31	1979-80 High	1979-80 Low
Industrial	325.81	324.29	326.39	329.92	332.12 (5/10)	218.19 (2/1)
Combined	307.22	305.98	308.52	311.44	314.36 (5/10)	225.80 (2/1)
TORONTO Composite	1795.2	1789.4	1806.1	1815.2	1815.2 (31/12)	1515.8 (2/1)

	Jan. 4	Jan. 3	Jan. 2	Dec. 31	1979-80 High	1979-80 Low
AUSTRALIA Sydney All Ord. (1956/59)	761.29	771.21	760.09	(c)	771.21 (5/1/80)	545.72 (2/1/79)
Metals & Minls (1958/59)	4880.14	4847.88	4712.65	(c)	4847.88 (5/1/80)	2587.34 (2/1/79)
AUSTRIA Credit Aktien (2/1/62)	69.56	69.20	68.95	(c)	69.58 (4/1/80)	61.53 (2/6)
BELGIUM Belgian SE (31/12/63)	101.74	101.49	101.95	(c)	108.47 (5/10)	98.50 (5/1/79)
DENMARK Copenhagen SE (1/1/73)	85.16	85.67	86.74	(c)	97.48 (25/7)	85/15 (4/1/80)
FRANCE CAC General (29/12/61)	99.80	97.1	(u)	(c)	113.1 (5/10)	82.4 (19/2)
Ind Tendance (28/12/79)	97.40	95.6	96.1	(c)	100.0 (28/12/79)	95.6 (3/1/80)
GERMANY FAZ-Aktien (31/12/58)	222.20	220.75	223.58	(c)	265.80 (16/1)	220.75 (3/1/80)
Commerzbank(Dec. 1953)	701.50	685.5	708.6	(c)	839.60 (16/1)	695.5 (3/1/80)
HOLLAND ANP-CBS General (1970)	85.20	82.7	84.2	(c)	94.2 (24/1)	82.7 (3/1/80)
ANP-CBS Indust. (1970)	68.50	66.1	68.1	(c)	85.8 (24/1)	65.7 (15/12)
HONG KONG Hang Seng Bank(31/7/64)	846.84	882.66	889.15	879.38	889.15 (2/1/80)	493.85 (2/1/79)
ITALY Banca Comm. Ital (1972)	85.65	85.29	83.11	82.45	85.85 (4/10)	68.58 (2/1/79)
JAPAN Dow Average (16/5/49)	6560.16	(c)	(c)	(c)	6590.69 (28/9)	5825.87 (10/4)
Tokyo New SE (4/1/68)	458.80	(c)	(c)	(c)	465.24 (28/9)	435.13 (13/7)
NORWAY Oslo SE (1/1/72)	135.20	133.78	135.01	(c)	142.22 (18/12)	74.46 (16/1)
SINGAPORE Straits Times (1966)	452.50	429.75	435.22	455.41	455.41 (31/12)	345.34 (23/2)
SOUTH AFRICA Gold (1958)	505.0	535.9	540.3	(c)	540.3 (2/1/80)	228.40 (17/4)
Industrial (1958)	466.5	465.2	458.6	(c)	465.5 (4/1/80)	270.56 (2/1/79)
SPAIN Madrid SE (28/12/79)	100.05	100.52	100.75	—	100.75 (2/1/80)	100.00 (28/12/79)
SWEDEN Jacobson & P. (1/1/58)	346.22	345.27	352.55	(c)	401.34 (6/2)	331.57 (24/9)
SWITZERLAND Swiss Bank Cp. (31/12/58)	299.2	302.9	303.8	(c)	323.10 (2/5)	284.00 (5/1/79)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Boeing	800,400	54⅞	+4¾
Benguet	654,100	7	− ⅛
IBM	472,600	63⅝	+ ⅛
Asarco	456,300	40	+ ⅞
U.S. Steel	382,700	18	—
American Mtrs.	381,900	8	+1
Dow Chemical	378,100	31⅜	+ ¼
Verlo Eng.	358,700	13⅞	+2½
Cont. Soya	347,900	15¼	+1⅛
Exxon	296,800	58	+ ¼

FT Monthly Survey of Business Opinion

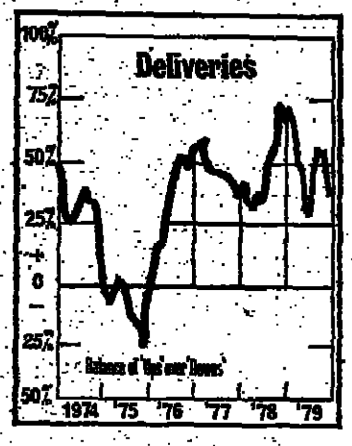
GENERAL OUTLOOK

New drop in confidence

CONFIDENCE ABOUT general prospects for business fell last month after the slight recovery in November, taking the overall index of business opinion to its lowest level for over three years.

Of the three industries surveyed in December, companies involved in the paper sector and connected businesses were more pessimistic than they were when last sounded in August.

Only two of the 12 engineering companies surveyed said they felt more optimistic. But brewers and distillers were, if *anything, slightly more cheerful* about prospects than they had been in August.



The main reasons for pessi*mism* were *gloom over the* general economic situation, as well as increases in interest rates and—among engineering *firms—poor prospects* for the steel industry.

The overall index measuring respondents' optimism about the UK economy showed a further fall after November's sharp drop, mainly owing to the poor prospects in the engineering sector.

The index of recent deliveries continued to fall. Fewer firms in all three sectors reported increases in deliveries or sales than they had in August. Some engineering companies still blamed the engineering strike *for delivery reductions.*

GENERAL BUSINESS SITUATION

Are you more or less optimistic about *your company's prospects* than you were four months ago:	4 monthly moving total Sept./Dec. %	Aug./Nov. %	July/Oct. %	June/Sept. %	December 1979 Eng. (non elec) %	Brewers Distillrs %	Papr Pkg Publishng %
More optimistic	22	24	24	32	19	24	7
Neutral	38	39	35	38	29	76	10
Less optimistic	40	37	41	30	52	—	83

EXPORT PROSPECTS (Weighted by exports)

Over the next 12 months exports will be:	4 monthly moving total Sept./Dec. %	Aug./Nov. %	July/Oct. %	June/Sept. %	December 1979 Eng. (non elec) %	Brewers Distillrs %	Papr Pkg Publishng %
Higher	59	61	62	56	35	100	54
Same	29	23	24	33	65	—	45
Lower	11	15	13	10	—	—	1
Don't know	1	1	1	1	—	—	—

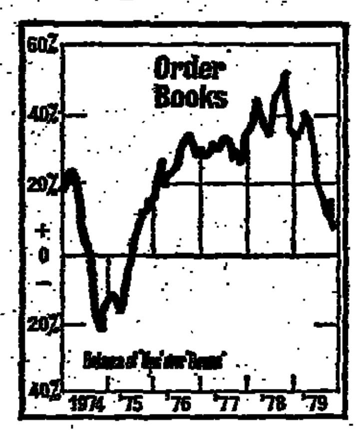
ORDERS AND OUTPUT

Orders fall again

THE NEW order index fell again, with the engineering industry in particular reporting lower demand as a result of weaker industrial confidence and falling investment. There were reports in the brewing sector of lower Christmas sales and cutbacks in sales to hotels and caterers as a result of a shortage of overseas visitors.

The index of order levels also continued to drop. Firms in the paper industry and connected businesses were particularly pessimistic about order levels.

There was a further fall in expected levels of output, with the median expected increase over the next 12 months falling to 4.6 per cent from 4.7 per cent.



The indices for both new orders and order books are now *at the lowest levels for over* three years.

Export prospects were, however, judged to be brighter in all three sectors. Both the engineering sector and the paper and connected industries were more inclined to expect higher exports over the next 12 months than they had been in August. All the companies in the brewing and distilling sector expected to boost exports, with *sales of sherry to the U.S. said* to be a particularly bright spot.

There was, however, some worry about the effect of the pound's higher exchange rate on export competitiveness.

NEW ORDERS

The trend of new orders in the last 4 months was:	4 monthly moving total Sept./Dec. %	Aug./Nov. %	July/Oct. %	June/Sept. %	December 1979 Eng. (non elec) %	Brewers Distillrs %	Papr Pkg Publishng %
Up	36	37	52	50	26	47	15
Same	18	20	12	14	7	6	25
Down	11	8	8	7	37	—	29
No answer	35	35	28	29	30	47	31

PRODUCTION/SALES TURNOVER

Those expecting production/sales turnover in the next 12 months to:	4 monthly moving total Sept./Dec. %	Aug./Nov. %	July/Oct. %	June/Sept. %	December 1979 Eng. (non elec) %	Brewers Distillrs %	Papr Pkg Publishng %
Rise over 20%	3	6	6	7	—	—	—
Rise 15-19%	5	3	4	5	—	24	2
Rise 10-14%	15	12	15	8	7	24	25
Rise 5-9%	20	23	22	22	22	—	5
About the same	51	50	43	43	57	52	59
Fall 5-9%	1	1	1	—	—	—	—
No comment	5	5	9	15	14	—	9

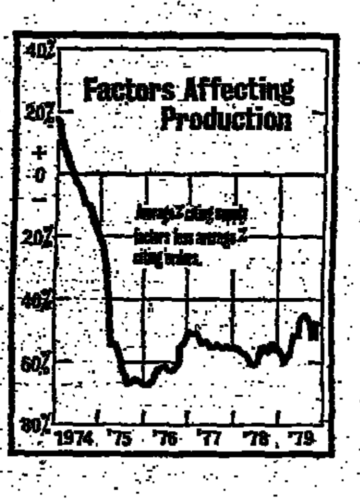
CAPACITY AND STOCKS

Mixed outlook for stocks

COMPANIES HAD mixed opinions about the outlook for stocks. Both the engineering and the paper and connected industries expected a drop over the next 12-months in stocks of raw materials *and components* and of manufactured goods. But the brewing and distilling group thought work in progress and manufactured goods stocks would increase.

As a result, there was a rise in the indices for work in progress and stocks of manufactured goods, and a fall in that for raw materials and components.

There was little change in the *pattern of answers on the ques*tion of stock levels. If anything, however, the stock level index seems to be drifting in the "too high" direction.



The index for capacity utilisation showed a slight rise. *More companies in the engineering* and brewing and distilling sectors reported that they were operating at or above their planned output levels than they had done in August.

The effect of raw materials shortages and labour disputes on production was generally less than reported in the August survey. Some engineering firms were fearful of a drop in steel supplies during the looming *steel strike.*

CAPACITY WORKING

	4 monthly moving total Sept./Dec. %	Aug./Nov. %	July/Oct. %	June/Sept. %	December 1979 Eng. (non elec) %	Brewers Distillrs %	Papr Pkg Publishng %
Above target capacity	12	10	10	9	7	24	1
Planned output	50	49	50	50	56	76	48
Below target capacity	36	37	36	37	37	—	51
No answer	2	4	4	4	—	—	—

STOCKS

Raw materials and components over the next 12 months will:	4 monthly moving total Sept./Dec. %	Aug./Nov. %	July/Oct. %	June/Sept. %	December 1979 Eng. (non elec) %	Brewers Distillrs %	Papr Pkg Publishng %
Increase	28	29	31	28	7	47	7
Stay about the same	43	47	47	54	55	24	68
Decrease	20	18	15	12	38	5	5
No comments	9	6	7	6	—	24	20
Manufactured goods over the next 12 months will:							
Increase	26	22	17	11	—	53	7
Stay about the same	38	43	49	55	18	24	56
Decrease	13	11	10	8	23	—	25
No comment	23	23	24	26	59	23	12

FACTORS CURRENTLY AFFECTING PRODUCTION

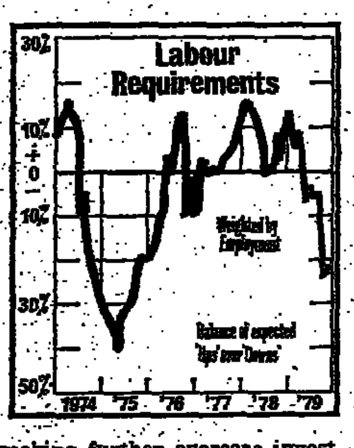
	4 monthly moving total Sept./Dec. %	Aug./Nov. %	July/Oct. %	June/Sept. %	December 1979 Eng. (non elec) %	Brewers Distillrs %	Papr Pkg Publishng %
Home orders	68	68	71	72	78	47	66
Export orders	52	54	63	61	41	29	63
Executive staff	7	7	9	14	7	—	—
Skilled factory staff	25	26	29	35	38	24	29
Manual labour	4	5	3	7	—	—	—
Components	11	11	9	7	7	—	—
Raw materials	13	16	16	11	—	6	—
Production capacity (plant)	8	9	11	11	—	24	—
Finance	2	2	1	1	—	—	—
Others	7	7	5	4	—	—	20
Labour disputes	33	38	47	41	30	24	9
No answer/no factor	7	7	2	2	—	—	10

INVESTMENT AND LABOUR

Lower spending forecast

THE INDEX for capital expenditure dropped back. Both engineering companies and firms involved with paper and connected businesses reported less buoyant investment intentions than they had in August.

Asked about the impact of the abolition of exchange *controls* on their investment planning, 19 of 31 companies questioned said there would be no effect. Of the 12 which thought the measure would have an effect, none had any specific investment plans in mind, although two said they would inject additional capital into *overseas subsidiaries and* two that they would consider *making further* overseas investments.



There was a very *slight* improvement—for the second month running—in the *index for expectations of the size of* the labour force over the next 12 months. It continues, however, to stand at a very low level by historical standards. Both the engineering and the brewing and distilling groups reported slightly more optimism on workforce prospects.

Brewing and distilling as well *as the paper and connected* industries were more inclined *to report lack of present and* forecast demand, rather than the structure of labour supply, as a factor affecting labour.

LABOUR REQUIREMENTS (Weighted by employment)

Those expecting their labour force over the next 12 months to:	4 monthly moving total Sept./Dec. %	Aug./Nov. %	July/Oct. %	June/Sept. %	December 1979 Eng. (non elec) %	Brewers Distillrs %	Papr Pkg Publishng %
Increase	15	15	15	16	6	66	25
Stay about the same	47	44	44	52	66	34	14
Decrease	36	38	39	30	28	—	61
No comment	2	3	2	2	—	—	—

CAPITAL INVESTMENT

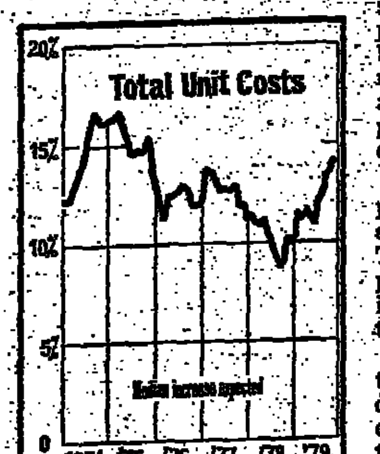
Those expecting capital expenditure over the next 12 months to:	4 monthly moving total Sept./Dec. %	Aug./Nov. %	July/Oct. %	June/Sept. %	December 1979 Eng. (non elec) %	Brewers Distillrs %	Papr Pkg Publishng %
Increase in volume	38	38	41	42	30	34	13
Increase in value but not in volume	11	16	16	23	—	6	—
Stay about the same	17	17	10	9	6	30	23
Decrease	20	20	25	22	23	—	32
No comment	14	9	8	4	41	30	32

COST AND PROFIT MARGINS

Sharp rise in prices

ALL THREE sectors expected higher price increases over the next 12 months than they had done in August, with a big rise in the number of firms forecasting price rises of more than 15 per cent. The estimate for the median expected increase in prices rose to 15.1 per cent from 13.9 per cent.

This was much larger than the expected increase in unit costs. Although the median expected increase in wages showed a further gain to 16.9 per cent from 16.6 per cent, the median expected increase *in* costs rose to only 14.1 per cent from *14.0 per cent.*

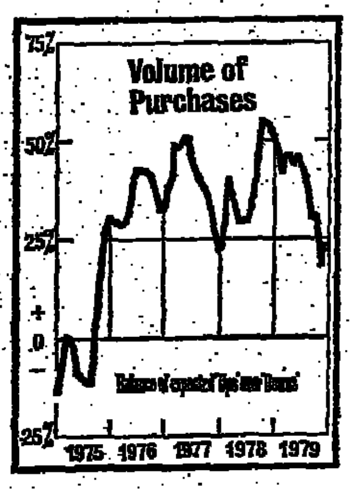


Despite the expected increases in prices, *all three* sectors were gloomier about profit margins than they had been in August. The profit margin index dropped back again to show more firms expecting their profit margins to contract than to improve.

Engineering companies were particularly worried about the effect of overseas competition. The strong exchange rate was preventing British firms from increasing prices as rapidly as they would like.

Companies continued to say they would largely resist demands for wage increases in excess of those planned. But there was slightly more willingnes to consider demands for a shorter working week, especially if it was linked to some form of productivity agreement.

These surveys, which are carried out for the Financial Times by the Taylor Nelson *Group,* are based upon extensive interviews with top executives. Three sectors and some 30 companies are covered in turn *every month. They are drawn* from a sample based upon the *FT-Actuaries'* Index, which accounts for about 60 per cent *of all public companies.*



The all-industry figures are four-monthly moving totals covering some 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month).

Complete tables can be purchased from Taylor Nelson and Associates.

COSTS

	4 monthly moving total Sept./Dec. %	Aug./Nov. %	July/Oct. %	June/Sept. %	December 1979 Eng. (non elec) %	Brewers Distillrs %	Papr Pkg Publishng %
Wages rise by:							
10-14%	18	21	27	40	10	47	27
15-19%	37	32	34	32	67	29	48
20-24%	10	10	5	7	23	—	20
25-29%	1	1	1	—	—	—	—
Same	1	1	1	—	—	—	—
No answer	33	35	32	21	—	24	5
Unit cost rise by:							
0.4%	1	1	1	—	—	—	—
5-9%	4	4	7	7	—	—	2
10-14%	41	43	44	45	56	47	31
15-19%	28	27	27	23	29	29	40
20-24%	6	5	4	3	—	—	27
Decrease	2	2	2	2	—	—	—
No answer	18	18	15	20	15	24	—

PROFITS MARGINS

Those expecting profit margins over the next 12 months to:	4 monthly moving total Sept./Dec. %	Aug./Nov. %	July/Oct. %	June/Sept. %	December 1979 Eng. (non elec) %	Brewers Distillrs %	Papr Pkg Publishng %
Improve	24	29	24	30	15	6	5
Remain the same	41	37	40	38	49	94	9
Contract	29	27	27	24	36	—	86
No comment	6	7	9	8	—	—	—

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Arlen Electrical, Kingsley Hotel, Bloomsbury Way, W.C., 2.30
Clydesdale Investment, 175, West George St., Glasgow, 12.30

BOARD MEETINGS—
Finals:
Barr (A. G.)
Interims:
Brown and Tawse
Samuel (H.)

DIVIDEND & INTEREST PAYMENTS—
Aero Needles 1.6p
Aquascutum Ord. and A 0.75p
Atlanta, Baltimore and Chicago Regional *Invest. Trust 0.85p*
BBA Group 0.84p
Beazer (C. H.) 3.7p
British and American Film 1p
Cakebread Robey Ord. and A 0.6p
Chamberlain Phipps 1.1p
Chloride 1.7p. 6pcPf. 2.1pc
Cole (R. H.) 2.13p
Comfort Hotels Intnl. Ord. Units 0.18p
De Vere Hotels and Restaurants 3p
East Midland Allied Press Ord. and A 1p
Electrocomponents 3.5p
Ewer (George) 0.6p
Feedex Agricultural 0.65p
Finlay (James) Ord. *Unit 2.75p*
Gopeng Consolidated 12p
Green (R.) Properties 1.27p
Guardian Royal Exchange Assurance 5p
Haslemere Estates 1.25p
Highams 0.804p
Highland Electronics Ord. Units 1.5p
Holden (Arthur) 2p
Lyle Shipping Ord. and A 3.3p
M. and G. Fund of Investment Trust Income Units 1.1p
Menzies (John) 2p
Northern American Trust 3p
Norwest Holst 1.999p
Peachey Property 2p
Pearce (C. H.) 6.25p
Robertson Foods 1.4p
Rugby Portland Cement 2.2p
Rush *and Tompkins 1.25p*
Samuel Properties 2.5p
Scottish Metropolitan Prop. 1.6p
Tarmac Db. 3½pc
Ulster Television N.V. A Ord. 2.6p
United Biscuits 1.7p
Weir Group 1.8634p
Wemyss Invest. 10p

TOMORROW

COMPANY MEETING—
Wade Potteries, Manchester Pottery, Burslem, Stoke on Trent, 12.00

BOARD MEETINGS—
Finals:
Investors Capital Trust
Winterbottom Trust
Interims:
Black (Peter)
Centreway
Stead and Simpson
Technology Investment Trust

DIVIDEND & INTEREST PAYMENTS—
Arlen Electrical 4.5p
Bailey (Ben) Construction 0.87p
Baird (William) Ord. Units 5.25p
Brickhouse Dudley 0.95p
British and Commonwealth Shipping Ord. Units 5.5p
Century Oils 0.8p
Highland Distilleries 1.55p
Priest Marians 5.74p
Reed International 4p
Thompson T-Line Caravans 1.75p
Wade Potteries 1.32756p

WEDNESDAY, JANUARY 9

COMPANY MEETINGS—
Duple, The Clifton Arms, Lytham, Lancs., 12.00
Fenner, Queen's Hotel, Leeds, 12.30
Fulcrum Investment Trust, Milburn House, Newcastle upon Tyne, 2.30

BOARD MEETINGS—
Finals:
Camford Engineering
M. and G. Dual Trust
McCorquodale
Westland Aircraft
Interims:
Ailsa Investment Trust
Hogg Robinson
Hollas
Imry Property

DIVIDEND & INTEREST PAYMENTS—
Burmah Oil 1.5p
Caledonia Invest. Ord. Units 5.5p
Cumulus Invest. Ord. 0.857p

Malayan Tin Dredging (M.) Berhad SM235
Moss Engineering 3.85p

THURSDAY, JANUARY 10

COMPANY MEETINGS—
Beechwood Construction, Rhosmaen, Alandello, Dyfed, 12.00
British Sugar, Hyde Park Hotel, Knightsbridge, 12.00
Castlefield (Klang) Rubber, Harrisons and Crosfield, 1-4, *Great Tower St. E.C.* 11.00
Killinghall (Rubber) Development Syndicate, Harrison and Crosfield, 1-4, Great Tower St., E.C., 12.00
Riley, The Connaught Rooms, Great Queen St., W.C., 12.30

BOARD MEETINGS—
Finals:
Bond Street Fabrics
English China Clays
Pleasurama
Sotheby Parke Bernet
United Guarantee
Interims:
Ratners (Jewellers)
Symonds Engineering
Waddington (J.)

DIVIDEND & INTEREST PAYMENTS—
Alliance and Dublin Consumers' Gas Db. 2pc
BFG Finance Company B.V. Floating Rate Notes 1989 US$56.22
Boots 2.875p
Canal Randolph Corp. 18 cents
Duple 0.7p
Ferguson 2.2p
ICI Ln. 4pc
Ireland (Rep. of) 7½pc 81-83 3¾pc
London County 6¾pc 88-90 3⅜pc
Mid Sussex Water 4.9pc (fmly. 7pc) Max Add. Ord. 2.45pc
Minerals and Resources 4 cents
Nichols (J. N.) (Vimto) 6p
Scottros 1.96p
Sheffield Refreshment Houses 0.7p
Stothert and Pitt 8.41p
Treasury Ln. 8½pc 84-86 4¼pc. 11½pc 1991 5¾pc
Vereeniging Refractories Pf. 2½pc
Whitbread A and B Ord. 1.65p

FRIDAY, JANUARY 11

COMPANY MEETINGS—
Carr's Milling, Crest Motel, Kingstown, Carlisle, 11.30
Comet, King Charles House, George St., Hull, 12.00
North British Properties, Royal Turks Head Hotel, Grey St., Newcastle upon Tyne, 11.30

BOARD MEETINGS—
Finals:
Grange Trust
Lowe (Robert H.)
Sidlaw
Interims:
Associated Newspapers
Daily Mail and General Trust
Heron Motor

DIVIDEND & INTEREST PAYMENTS—
Braby *Leslie 2p*
Braithwaite Engineers 3p
Brown Shipley 5.5p
Castlefield (Klang) Rubber 3.6p
Courtaulds 2.888p
Dunhill (Alfred) 6.25672p
Early (Charles) and Marriott (Witney) 6pc Pf. 2.1pc
Evans of Leeds 1p
Exchange Telegraph 2.25p
Fashion and General 1.2p
Fidelity Radio 1.658p
Industrial and Commercial Finance Lns. 5¼, 5½, 5¾pc
Jenks and Cattell 2.7p
Killinghall (Rubber) Development Syndicate 10.5p
M.K. Electric 5p
Marks and Spencer 1.5p 7pcPf. 2.45pc
Messina (Transvaal) 10 cents
Northern Goldsmith 0.85p
Powell Duffryn 4.25p
Pretoria Portland Cement 24 cents
Riley (E. J.) 2.25p
Royal Bank of Scotland Floating Rate Capital Notes Due 88-94 7⅜pc
"The Times" Veneer 0.3p

SATURDAY, JANUARY 12

DIVIDEND & INTEREST PAYMENTS—
Tameside Variable Rate Red. 1983 £6.9219

SUNDAY, JANUARY 13

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage Var. Rate Bonds Red. 7/1/83 £7.2188

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● TRANSPORT

Sticking the cars together again

SHARP reductions in the cost of repairing damage to the rear end of a car can result from a technique developed by Opel engineers in Germany.

Based on a two-component adhesive, to replace welding when a new rear body panel is fitted, the method was developed from experience in aircraft construction. Completely new to the motor trade, it offers a cut of up to 30 per cent in the time taken to replace a panel.

The starting point for this development was the frequency of comparatively expensive rear-end damage, which occurs in about 42 per cent of all car accidents in the Federal Republic of Germany.

When new sheet metal has to be welded on, a large number of other parts have to be removed—such as the fuel tank, which would represent a fire hazard, and a whole series of other interior components (seats, windows, various seals, etc.) which would be damaged by the heat generated in welding.

In the adhesive method, using a high strength two-component glue, the dismantling of these parts is eliminated, resulting in a substantial reduction of labour costs.

A further advantage of the new method is that the operator needs only a short period of training, without any welding experience, and there are no soldering materials containing lead required for the seams between panels.

Experiments at the Opel proving ground at Dudenhofen, West Germany, in crash tests, and in the laboratory show that the adhesive bond has the same stability and strength as a spot-weld bead.

Work is continuing in Germany with the aim of making the method applicable to other areas of the car body. Meanwhile, in Luton, Vauxhall engineers are evaluating the German results.

GM, POB 4, High Street North, Dunstable, Beds LV6 1BQ. 0582-64264.

● DATA PROCESSING

Recruiting tapers off

SIGNIFICANT in the second of the Urwick quarterly analyses of UK computer industry attitudes and plans is the sharp fall in predicted recruitment, particularly of programers and systems analysts.

In September, 46 per cent of respondents told Urwick Dynamics that they proposed to increase staff in these sectors. But by December the percentage had dropped to 40—and the data was culled before the extortionate increase in minimum lending rate to 17 per cent!

Some 57 per cent of companies now say they will retain the status quo in staff levels—an increase of 7 per cent.

The report says it seems that many more companies are at least coming to terms with the endemic staff shortage. But there are sharp variations according to type of respondent, with bureaux and utilities determined to expand project teams. Some groups are aiming at staff cuts through the use of more on-line terminals.

It seems also that training and retraining schemes are beginning to bite.

The majority of respondents expect to spend more on machinery over the next 12 months. Underlying this is a growing awareness among users of the number of powerful small machines they can buy for the cost of a large mainframe. This is paralleled by a swing towards smaller machines purchasing plans.

Software spending predictions remain unchanged.

Undoubtedly the MLR increase will cause some marked changes in forward planning, as will the accompanying slowdown in several areas of industrial activity, though the current quarter may not be quite long enough for all of this contingency planning to be worked out.

Urwick Dynamics at 9 Monmouth Road, London W2 4UT. 01-229 7246. Attention Mr. Grindley.

● ENERGY

Automatic coal-fired steam plant

WHEN the Energy Equipment Company won a £261,000 contract for the supply, installation and commissioning of a novel hot water system for the National Coal Board, it needed a high performance conveyor to serve its plant, which is based on an advanced fluid-bed combustor.

The Denseveyor, manufactured by Macawber Engineering of Doncaster, was chosen to be integrated with the boiler plant at the Wistow Mine, part of the Selby project in the North Yorkshire Area of the NCB.

This plant involves three standard boilers, each of 5m BTU/hr, coal-fired by means of Energy Equipment's patented fluid-bed combustor which has the special characteristic that half the heat release takes place above the fluidised bed itself.

Eventually, coal produced from within the Selby coalfield will be conveyed from storage bunker to combustors by the totally enclosed and automatic Denseveyor. The system thus becomes fully automatic since the combustion unit itself is microprocessor-controlled.

At Wistow, coal will be supplied in bulk to three bunkers and will feed by gravity into three Denseveyors, each working to one of three service hoppers fitted to the fluid-bed combustors.

One particular advantage of the conveyor design over conventional pneumatic handling systems is its patented dome valve which can cut through bulk solids such as coal, effectively to seal the pressure chamber.

Another advantage is the method of controlling the pressure and volume of the air supply, while the coal is being transported. The equipment operates on the "dense phase" principle in which compressed air at up to 6 bar is used to push a slug of material through standard mild steel pipework.

Boilers, fluid-bed combustors and the handling system are scheduled for delivery during the spring of next year.

Macawber Engineering, Ogden Road, Doncaster, South Yorkshire, DN2 4SQ. 0302 20521. Energy Equipment, Hockliffe Street, Leighton Buzzard, Beds. LU7 8HE. 0525 377600.

● IN THE OFFICE

Clean copies made fast

GESTETNER'S 2010 plain paper copier now being marketed in Britain gives exceptionally high copy quality—often indistinguishable from the original—in any size between A5 and B4 and in quantities up to 1,000 from one master.

For the low volume user needing up to 4,500 copies per month, the British-made machine makes good economic sense.

Because of its convenient size—37cm high x 48cm wide x 84cm long—the 2010 is suitable for decentralised systems.

Among the advantages of this machine is speed of operation—with 8 seconds only required for production of the first copy and 6 seconds for subsequent copies.

Using standard 70 gsm to 100 gsm copier bond paper—the B4 size supplied by Gestetner is larger than the European standard to accommodate computer print-out. The 2010 will also copy on to letter headings, coloured paper, transparencies, labels and direct image plates. Two special features are the 1-20 countdown which resets at the end of each run to avoid waste, and automatic shut-off after 90 seconds if the machine is left unattended.

The two-component magnetic development system which incorporates a unique cleaning and filter device, helps ensure that high copy quality is maintained between service calls, while the heat fusing system includes a patented fuser control which automatically adjusts the fusing conditions during a run. This overcomes many of the problems hitherto experienced with dry copying.

Gestetner International, group Head Office, PO Box 466, London, N17. 01-808 1050.

● PROCESSING

Cleans bottles of many sizes

SERIES 20 bottle cleaning equipment is to be built at Barry-Wehmiller's new factory and headquarters at Altrincham. Flexible specifications enable the machine to be adapted for many bottle sizes and throughput volume applications and modular construction keep on-site installation time to a minimum.

The totally enclosed drive mechanism has two-stage oil filled transmission gearboxes to ensure maximum efficiency and the simplicity of its mechanical systems ensures reliability with easy and speedy maintenance.

Series 20 runs on the jetting and soaking principle, with intermittent caustic jetting at each interstage jetting station.

The machine can be supplied with a stock range of different size bottle carriers to accommodate all bottle sizes up to 2 litres. Options are also available to manufacture the modules and final rinse sections in stainless steel to suit special applications.

Load and discharge mechanisms have fitted, as standard, a quick-release safety mechanism to avoid damage to both machine and bottles in the event of bottle jams.

Barry-Wehmiller, Atlantic Street, Broadheath, Altrincham, Cheshire.

Accurate cuts with guided water jet

BRIEF OUTLINE of a guided water jet cutting system which has been developed by Bertin & Cie in co-operation with Exico, a thermoplastics manufacturer, has been received.

The requirement was to develop a three-dimensional cutting system for small runs of ABS products — items which would otherwise be punched out using tools which it would be difficult to amortise for short runs.

The solution makes use of Bertin's pressure water jet technology in conjunction with a robot arm which allows the jet head to be placed anywhere in a large but undisclosed volumetric space. The three-dimensional movement of the head are controlled by a microprocessor but no further details concerning speed of action or programming are available.

Bertin states, however, that through "simple programming any shape of product can be manufactured economically however small is the series ordered." An amortisation time of 20 months is mentioned.

More from BP No. 3, Allee Gabriel Voisin, 78370 Plaisir, France.

● GARDENING

Growing the plants at eye level

TABLE TOP planter is an invention of the Horticultural Department of the University of Bath. It was researched by P. R. Thoday and the work funded by the Rehabilitation and Medical Research Trust.

It is being marketed under the name Biopodeck and brings gardening up to the level of people whose disabilities have made other forms of gardening impossible.

Of particular appeal to the wheelchair-bound and the ambulant disabled, the planter is 53" square, moulded in glass-reinforced plastic and is available with adjustable stand.

Apart from its great interest for the disabled, however, this planter is designed to stop fluctuations in soil moisture, has fast drainage to the mains via a small header tank and, in effect, contains a complete hydro system.

With sufficient natural light and some warmth the system is an excellent plant starter. Part of the secret lies in the special compost used.

A variety of flowers and vegetables may be grown and a list of these, together with details of the planter, can be obtained from Longwell Green Reinforced Plastics, Kingsfield Lane, Longwell Green, Bristol BS15 6DN. 0272 673121.

● HANDLING

Narrow aisle stackers

HIGH LIFT narrow aisle stacking trucks manufactured by Ernest Wagner KG in West Germany are to be marketed in the UK by ACR Lift Truck of Chalmers Way, North Feltham Trading Estate, Middx. TW14 0UJ (01-751 0222).

Maximum lift heights of 11.8 metres are offered with carrying capacities of 1,000 or 1,500 kg. The trucks have been designed to run on rails or to be inductively guided through aisles. Either telescopic or rotating forks can be provided.

● NETWORKS

Satellites cut the phone bill

ALREADY relatively cheap, telecommunications charges in the U.S. might well be forced down further by developments in private satellite communications which, in due course will probably have their counterpart in Europe.

Organisations such as RCA and Western Union already act as common carrier for satellite communications with their own satellites, providing widely used speech, television and data channels spanning the country.

Latest development, however, is for private companies with considerable long-distance traffic between manufacturing plants, offices and other locations to set up their own earth stations and carry on communications independently.

The first to make official applications to the Federal Communications Commission is thought to be Harris Corporation, which is about to spend $1m on three such earth stations to be ready by June.

The company has two objectives—to cut its own long-distance communications costs and, by showing the system and its economies to other companies, encourage them to use similar systems.

Harris will be using its own design and manufacture of 36ft dish, radio units and control equipment for the stations, which are to be sited at its headquarters in Melbourne, in Florida and at Rhode Island and Dallas, Texas.

When the network is fully operational it is expected to save about 20 per cent of the company's $5m per year costs for long-distance telephone and data communications services, in addition to "significantly improving" internal communications.

According to the company, U.S. corporations can be expected to invest more than $300m in equipment for private satellite networks over the next five years.

What these developments will mean to communication over long distances by cable and microwave link, not to mention optical fibre, remains to be seen. AT and T, whose Bell System runs many of these services, has been precluded until recently from using satellites to compete with RCA, Western Union, Fairchild and others, but now is allowed to offer similar facilities. But it has, needless to say, a great deal of money invested in long cables and microwave links.

The first equivalent of these satellite systems in Europe will hinge upon the successful development and launching of such craft as the European Space Agency's L-Sat, for which British Aerospace has just been appointed prime contractor.

The extent to which purely private channels will be made available for European company networks remains to be decided.

Ensuring the messages are error-free

A DISPLAY terminal for store and forward message switching application has been introduced by Delta Data Systems, Swallowfields, Welwyn Garden City, Herts. AL7 1JD (Welwyn Garden 33833).

The terminal is based on the company's 7300 programmable text processing visual display unit which employs a 16 bit micro. Ability to hold 28,500 characters, with split screen ability and user programmable function keys fit it well for store and forward message system application.

All the repetitive keying sequences such as message headers or terminators, routing data and transmission mode changes can be assigned to specific function keys.

Screen splits typically might be 22 lines by 69 characters for message entry and reception and five lines for receiving system messages from the switch editor. All the usual text editing facilities are available.

Messages are prepared off line and edited/manipulated to a clean text which might be some tens of thousands of characters.

This is prepared without any interaction with the message switching system; not until the full routing instructions have been entered on the screen does the operator make a single keystroke, wait for acknowledgment and make another keystroke to transmit the message into the system.

Phillips Petroleum has recently ordered ten of the units, which can be customised to meet particular requirements.

Building and Civil Engineering

Big road project in east Malaysia

IN ASSOCIATION with Coopers and Lybrand Associates and two Malaysian firms, Peter Fraenkel and Partners have been appointed by the Government of Malaysia to undertake a feasibility study and preliminary engineering design for the upgrading and reconstruction of 214 miles of road in the State of Sabah, East Malaysia.

Subsequently the consultants will undertake the detailed engineering design of all or part of the improvements, depending on the results of the first phase economic appraisal. It is stated that World Bank funding is anticipated for the detailed design and construction of approved schemes.

The overall project covers four separate road schemes, each a major section of the State's main road network. It is expected that the improvements recommended for the four schemes will include upgrading of sections of existing roads and sections of entirely new road. Recommendations will also cover the investigation of an associated feeder road network. The terrain varies from rolling coastal plains to mountainous tropical rain forest.

The first phase work includes investigation of the condition of the existing roads, traffic surveys, analysing development potential, prediction of future traffic, establishing standards for sections of new improved road, comparison of alternative routes and improvements, establishing and surveying a preferred route corridor for each scheme, and undertaking a full cost-benefit analysis.

Several large bridges are involved and at two sites the alternative of ferry provision will be investigated. One scheme involves a 1,000 metres long rock tunnel. Soil conditions throughout the State are variable and a considerable amount of soils and materials investigation and testing is anticipated. Soil boring contracts will be undertaken at the sites of major structures during the course of both phases of the project.

Construction of all four schemes is estimated to cost over £50m at 1979 prices.

Seven tasks for Mears group

SEVEN CONTRACTS together valued at £5m have been won by Mears Contractors, a wholly owned subsidiary of Edmund Nuttall.

The largest, for the Anglian Water Authority, is worth £3.5m and is for work on the Thames tidal defence barrier at Benfleet, Essex.

The Benfleet barrier is designed to prevent the passage of surge tides when the steel gates are lowered, and to allow normal tidal flow and navigation by small boats when the gates are raised. The barrier will have a reinforced concrete gate supporting structure carried on bearing piles from the London Clay.

Embankments and sheet pile cut-offs will connect the barrier to the north shore and across the saltings to the existing Canvey defences on the south shore.

Mears will construct the gate structure with access from the south shore while permitting unobstructed tidal flow and navigation in the northern part of the creek.

The northern part of the creek will be closed for construction of the embankment after at least two of the gated openings in the gate structure have been completed to give an unobstructed water passage and to permit tidal flow and navigation.

A sea defence scheme is also to be undertaken by Mears at Seaton in Devon. Valued at £475,000 the work is for the South West Water Authority and involves the construction of 8,000 metres of sea wall and wave return wall.

Under a £390,000 contract, Mears is to construct roads and sewers at Fareham for the Hampshire County Council for the first section of the Segensworth Industrial Estate.

For the British Airports Authority Mears is to reconstruct taxiway 6 at London's Gatwick Airport. Valued at £330,000, the contract calls for the breaking up of aircraft pavements and the removal of 6,500 square metres of concrete which will be replaced with a 400 mm pavement quality concrete on a 300 mm lean concrete base.

Valued at £203,000 is the refacing of about 78 metres of the seaward face of the Western Pier at Watchet, Somerset. The work, which is for the West Somerset District Council, also includes the buttressing of about 47 metres of the pier's inner face.

Another contract, worth £50,000, is for new facilities for Waterfield Garages in Plymouth. The new premises will include offices, showroom area, workshop bays, a garage and car parking space.

The final contract is a short term job valued at £34,000 for the CEGB at Dungeness power station. It involves civil engineering work associated with the laying of a series of telephone ducts and cable pits.

Renovating by Lawrence

LARGEST in a series of new jobs worth over £2m for Walter Lawrence & Son—placed by the Trustee for Roman Catholic Purposes Register—is a £942,000 award for alterations and refurbishment of existing offices in London.

Two other refurbishing tasks with a combined value of more than £821,000 are for essential repairs and external redecorations in major housing schemes in Islington, London.

Third face-lifting task is worth £409,000 and has been awarded by the BP Pension Trust for external works and repairs to its London properties.

Monk tops £6m worth

BIGGEST in a series of jobs to A. Monk and Company worth, in total, over £6m, is a project in Wilhelmshafen, German Federal Republic.

With it go four projects in Yorkshire, two in Cheshire, one each in Lancashire, Durham and Cambridgeshire and several pipeline contracts.

The Wilhelmshafen project represents a joint venutre by Arge PVC Anlage, of which Monk is a member, the others being Ed. Zublin AG and C. Baresel AG. Arge will be undertaking civil engineering construction on the PVC plant for ICI Wilhelmshafen Gmbh. The DM 8.8m (£2.2m) work comprises foundations, paving, roads and site finishes.

At Runcorn a contract close on £1.8m has been let by the development corporation for continuing with the second phase of the southern loop elevated busway in the town centre.

The contracts in the North-East of Britain are worth £1.2m. They are in Gateshead, Catterick, Peterlee and Leeds.

In Leyland, Monk has begun building a two-storey component appraisal facility for British Leyland. Worth £233,100 it includes demolition of an existing building. Work has also begun on a transport depot for the Automobile Association at Woodston, Peterborough. The £273,900 contract calls for amenity accommodation, workshop and external works.

Dutch group's brave move

SIMON STEVIN is 250ft tall, weighs 30,000 tonnes and can break into a brisk 80ft-an-hour walk.

He cost £50m and represents for his owners—the Royal Volker Stevin group of Holland—an expensive attempt to overcome a problem now staring most international contracting companies in the face, the lack of new work.

Simon Stevin is claimed to be the world's first semi-submersible cutter dredger, designed to walk along the seabed as it operates and intended to grab new opportunities for work in an increasingly difficult marketplace.

Named after the 17th century Dutch engineer, the giant machine, which in many respects resembles a drilling platform, has twice the capacity of any existing dredger and can each week shift between 50,000 cubic metres and 300,000 cubic metres of sea-bed material, depending on its characteristics.

As importantly, it will be able to continue to dredge in wave heights of up to 9 ft. In really bad weather, it will retract its eight, 400-tonne legs and ride out the storm.

As a spokesman for Volker Stevin proclaimed: "This means that it has broken the cost barrier on new port development and other offshort projects since they can now be carried out regardless of natural conditions.

"In other words, ports which were previously impossible to even contemplate because of the severe wave and hard soil conditions can now be built in the best possible locations."

The machine, which outweighs the largest existing dredger in the Volker Stevin fleet by eight times and boasts the largest cutter head ever built, has not, however, got off to a very auspicious start.

After a design and research programme which started in 1972, the dredger was finally launched in December following long delays caused by labour problems at the Rhine-Schelde-Verolme yard in Rotterdam where it was built.

Mr. Klaus van Exter, senior executive vice president of Volker Stevin, was driven to tell dignitaries and shipyard workers assembled for the launch that the group had originally considered having Simon Stevin built in Japan and that had it known what problems lay ahead, the decision to build in Holland would not have been made. He also said that the delays in commissioning the dredger had lost its first job. But Volker Stevin nevertheless has to admit that the volume of work awaiting the new machine hardly represents a daunting schedule.

When Simon Stevin is commissioned in May it will probably start work on a port project on the Libyan coast, although no contract has yet been signed. The group then hopes that the dredger will itself help create work in places like Australia, South Africa and South America, though it may initially have to be used on the type of traditional dredging work which will not demand full deployment of its unique characteristics.

Volker Stevin is undeterred and unrepentant about the decision to build the machine (a move taken by Stevin before the two groups merged at the end of 1978). As one of the directors put it: "You have to think long-term in this business and we believe the construction of this machine will enable us to create new job opportunities which did not previously exist—an important move at a time when work is getting harder to find." Even so, the group has no plans to build a companion for Simon Stevin.

MICHAEL CASSELL

Good orders for Bowey

BOWEY Group, based at Newcastle and Alnwick, has opened the New Year with significant new orders.

It has won contracts worth over £5m in recent weeks and is on course to reach the projected £15m turnover this year. Projects range in value from more than £1.5m to less than £100,000.

Largest of the contracts was awarded to Ralph Bowey & Son the group's building company, by Castle Morpeth Borough Council. Worth nearly £1.6m, the work is to start today and calls for the modernisation of 229 houses in Stobhill, Morpeth.

In another project for Castle Morpeth, Bowey will carry out the major rehabilitation of 110 houses in Middle Greens under a contract worth about £1,250,000.

Fairweather in 1979

FIVE contracts awarded last month to H. Fairweather (Woodhall Building Group) brought the company's contracts for 1979 to over £20m, double that of the previous year.

Biggest of the five is a £1.2m development of 75 dwellings in two and three storey blocks, for the Griffin Housing Association at Hangar Vale, Ealing, London W5. Architects for this are Stamford, Eatwell and Associates.

At Langdon Park, London E14, a £717,000 contract for the London Borough of Tower Hamlets calls for the construction of a single storey community centre, while at Watchmead, Welwyn Garden City, Herts, another contract worth £622,000 is for a distribution centre for Loctite.

At the Broadway Industrial Estate, Trafford Road, Salford, a £627,000 contract for the construction of five factory units has been awarded by the City of Salford and in Lewisham, for the London Borough of Lewisham, an £83,000 contract to build a two-storey block of homes has been gained.

Lacquer to seal the asphalt

A CLEAR polyurethane lacquer developed for application to good quality asphalt surfaces to seal and dustproof them, improve oil resistance and general appearance, and reduce maintenance requirement, has been introduced by Lamacrest of Crown Works, Cold Bath Road, Harrogate, Yorks (0423 6656).

It is called Lamacrest Clear Lacquer Grade AS1, and, says Lamacrest, is designed to overcome problems that exist in coating asphalt surfaces which, due to tar content, are less easy to treat than concrete because "bleed" occurs in the top film. Also, because of temperature variations, the substrate can move.

The material is applied by brush or roller and, depending on temperature and humidity, the coating becomes hard dry in between three and six hours.

Revitalising Preston

WORTH £753,565, a contract for 45 flats and bungalows is the first major construction job in the Central Lancashire Development Corporation's urban renewal programme for the Plungington area of Preston.

Covering 105 acres in the heart of Preston, Plungington comprises 3,000 houses, typical of those built to house mill workers in the cotton industry in the late nineteenth century and described by CLDC staff as probably the inspiration for Coketown in Hard Times by Charles Dickens.

IN BRIEF

● S. Wernick and Sons, of Brownhills and Billericay, has won a tender to supply two single-storey L-shaped office blocks, a rectangular-shaped office block, a store and links for the UK Atomic Energy Authority, Dounreay. Each of the buildings will be supplied complete with services except for base-work and drainage.

● Worth £108,975, a project for Warrington New Town Development Corporation is to be carried out by W.R.N. Contracting. Due to last approximately 22 weeks, it comprises the construction of approximately 200 metres of new 6.75-metre-wide, single-carriageway road in the Old Howley area of the town centre.

INSURANCE

When a claim is delayed

BY OUR INSURANCE CORRESPONDENT

IN DECEMBER the Court of Appeal had to adjudicate on a long running dispute which arose out of the construction of a car park in Canterbury in 1968. The claimants were the landlords and tenants of a building, a garage, adjoining the site of a multi-storey car park; the defendants were the local authority and their contractors.

During the course of the work one of the contractors engaged in pile driving, which caused damage to the claimants' building—and to the layman, at least the liability issue might have seemed not to be in doubt, though in the event the defendants did not admit liability until just before the trial in the Queen's Bench Division in July, 1978.

In consequence, Mr. Justice Cantley, and again the Court of Appeal, was concerned solely with the question—how much compensation should be paid, bearing in mind that even at the date of trial in 1978 the repair work had not been done.

The nub of the problem in Dodd Properties (Kent) Ltd. v Canterbury City Council, as stated by Lord Justice Megaw, was this: Should the cost of repairs to the garage be assessed as at the date of hearing or of the judgment (as the claimants argued) or on the basis of 1970's costs (as the defendants held).

Inflation had virtually trebled the amount required between the two dates, and the principal head of claim had risen from £11,375 to £30,327 in the period, so it was perhaps not surprising that the claimants appealed from the trial judge's decision that they could only recover damages on the 1970 basis.

The trial judge had decided the issue on the ground that where property is damaged by tortious act or omission, the measure of compensation is normally to be assessed at the time of the occurrence of the damage, unless the damage only be discovered later or unless the circumstances are such that time must elapse before the repairs are started. Reviewing the facts, he decided that the claimants could have begun the repairs in 1970, so that 1970's costs provided the proper measure of damages.

Two questions

Reviewing the legal precedents and the facts of the case, the three judges in the Court of Appeal reached the conclusion that the claimants had not unreasonably delayed the repair—the condition of their building had not worsened, they had been in some financial difficulty which precluded expenditure, they had waited until July, 1978, before getting an admission of liability: this being so, the fact that the repairs were still to be carried out in 1978 entitled the claimants to judgment on the basis of 1978 costs.

In both courts there was much argument on two questions: whether the wrongdoer must take his property victim as he finds him and what is the extent of the claimant's duty to mitigate his damages. Lord Justice Megaw seems, from The Times report, to have ruled that while a claimant is clearly under a duty to mitigate his damages, he is not obliged to do anything which he cannot afford to do.

Provided the Court of Appeal's decision stands—and there is no information on a further appeal to the House of Lords—the decision appears to have brought more into line principles for deciding awards of compensation whether for injury or damage.

In personal injury claims it has long been the rule that if the wrongdoer picks a victim with an eggshell skull he must pay accordingly: in property damage claims, seemingly the prudent wrongdoer should now seek out a fully solvent victim—otherwise he and his liability insurers may have to pay damages inflated because of reasonable delay.

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Model Engineer Exhibition (0442 41221) (until Jan. 12)	Wembley Conference Centre
Current	London International Boat Show (0932 54511) (until Jan. 13)	Earls Court
Jan. 12—17	International Toy Fair (01-226 6653)	Harrogate
Jan. 15—17	International Domestic Electrical Appliances Exhibition (01-486 1951)	NEC, Birmingham
Jan. 23—30	HOTELYMPIA—International Hotel and Catering Exhibition (021-705 6707)	Olympia
Jan. 26—30	British Toy and Hobby Fair (01-701 7127)	Earls Court
Jan. 30—Feb. 1	Microsystems '80 Exhibition (01-261 8000)	Wembley Conference Centre
Feb. 4—7	INFEX—International Floorcoverings Exhibition (01-236 0913)	Hotel Metropole, Brighton
Feb. 6—8	Interflow '80—Fluid Handling Exhibition (01-680 7525)	Harrogate
Feb. 6—9	Cruft's Dog Show (01-493 7838)	Earls Court
Feb. 17—21	International Men's and Boys' Wear Exhibition—IMBEX (021-705 6707)	Olympia
Feb. 18—21	European Information Management Exhibition and Conference (01-995 4806)	Wembley Conference Centre
Feb. 25—29	International Electrical Exhibition (0483 222888)	NEC, Birmingham
Feb. 25—29	International Instruments, Electronics, and Automation Exhibition (021-705 6707)	NEC, Birmingham
Feb. 25—29	International Pneumatics & Hydraulics Exhibition, including Compressors and Power Transmission Equipment (021-705 6707)	NEC, Birmingham
Feb. 26—28	Drawing Office Show—DOMMDA (01-242 3621)	Wembley Conference Centre
Feb. 29—Mar. 9	Camping, Outdoor Holiday Exhibition and Motor Caravan Show (01-262 2886)	Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Jan. 18—24	International Record and Music Publishing Market (01-499 2317)	Cannes
Jan. 19—27	International Boat Show (01-409 0956)	Dusseldorf
Jan. 19—27	International Commercial Motor Show	Geneva
Jan. 22—26	International Exhibition for Agricultural Mechanisation—AGROMEK	Herning
Jan. 25—Feb. 3	International Green Week (01-540 1101)	Berlin
Jan. 29—Feb. 1	Canada Farm Show	Toronto
Feb. 1—4	International Stationery Show—SIPPA (01-439 3964)	Paris
Feb. 1—10	International Boat Show	Vancouver
Feb. 2—5	International Textile and Fabrics Trade Fair—INTEREX	Sydney
Feb. 4—8	International Jewellery, Gold and Silver Exhibition—Jewelmex (01-580 5816)	Bahrain
Feb. 7—11	Men's Fashion Show—PITTI UOMO	Florence
Feb. 11—15	Environmental Pollution Control Techniques Exhibition—ENVITEC (01-409 0956)	Dusseldorf
Feb. 11—21	International Paris Boat Show (01-439 3964)	Paris
Feb. 17—21	Middle East Machinery, Light Industry and Plant Maintenance Show (021-454 4416)	Bahrain
Feb. 22—24	International Men's Fashion Week (01-409 0956)	Cologne
Feb. 26—29	World Fair of Technology Exchange—TECHEX (01-584 5749)	Copenhagen
Feb. 26—29	Offshore South East Asia Exhibition (01-486 1951)	Singapore
Mar. 2—9	International Agricultural Exhibition (01-439 3964)	Paris

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Current	University of Bradford: Managing Management Development (Bradford 42299) (until Jan. 11)	Heaton Mount, Bradford
Current	InComTec: The Law in Industry and Commerce (0276 62677) (until Jan. 11)	New College, Oxford
Current	CEI: International Programme for Senior Executives (until Jan. 11)	Geneva
Jan. 8	HSCS: Structural Surveys (01-935 2382)	Royal Lancaster Hotel, W2
Jan. 9—10	FT Conference: Problems in Accounting (01-236 4382)	Inter-Continental Hotel, W1
Jan. 11—13	Nat. Centre for Alternative Technology: Self-Build (Machynlleth 2400)	Machynlleth, Powys
Jan. 14—15	HAI: Solar Energy in the '80s (01-602 2657)	London Penta Hotel
Jan. 14—17	NDA: International Materials Handling Conference and Exhibition (01-398 5352)	Ryl. Lancaster Hotel, London
Jan. 14—25	CEI: International Financial Management Seminar	Hong Kong
Jan. 15—16	Oyez IBC: Concrete '80—Conference and Exhibition (01-242 2481)	Wembley Conference Centre
Jan. 15—16	Henley Centre for Forecasting: Quantitative Techniques for Forecasting (01-353 9961)	2-4 Tudor Street, EC4
Jan. 16	BCI: Changing Nature of Middle East Trade (021-454 6171)	75 Harborne Road, B'ham.
Jan. 21—22	FT Conference: The 1980 Euromarkets Conference (01-236 4382)	Inter-Continental Hotel, W1
Jan. 23	IPS: Purchasing Computers for the Small and First Time Users (0990 23711)	London
Jan. 23	CCC: Retention of Title—Resolving Conflicts Between Manufacturers, Lenders and Suppliers (01-222 6362)	London Press Centre, EC4
Jan. 29—31	CCC: Practical Guide to Standard Form of Building Contract (01-222 6362)	Lythe Hill Hotel, Haslemere
Jan. 30—Feb. 1	AMR: Finance and Accounting for the Non-Financial Executive (01-262 2732)	London Press Centre, EC4
Feb. 7	Oyez-IBC: Children in Tax Planning (01-242 2481)	Holiday Inn, NW3
Feb. 18-19	ADMAP Seminars: Calculating the effects of advertising—How useful are they to the advertiser? (01-379 6576)	Lygon Arms Hotel, Worcs.
Feb. 26—27	FT Conference: British Business Opportunities Overseas (01-236 4382)	Grosvenor House, W1
Feb. 28—29	FT Conference: Monopolies Mergers and Restrictive Practices (01-236 4382)	Munich
Feb. 25—29	Moroccan Ministry of Trade and Industry in co-operation with UN Industrial Development Organisation: International Industrial Investment Forum (01-584 8827)	Rabat

APPOINTMENTS

Stone-Platt new chief

Mr. R. F. Tavener has been appointed chief executive of STONE-PLATT INDUSTRIES. He has been chairman of the electrical division since January, 1974, and managing director

Mr. R. F. Tavener

of the group since July 1, 1979. Mr. E. G. Smalley, deputy chairman, will succeed Sir Geoffrey Hawkings as non-executive chairman on his retirement at the annual meeting in April.

★

Mr. Malcolm Samuels has been appointed a director and secretary of UDS GROUP.

★

TYZACK AND PARTNERS (FAR EAST), an associate company of Tyzack and Partners, has commenced business in Hong Kong. The chairman is Mr. J. L. Rogers, Mr. G. U. Lim is an executive director and Mr. P. T. Prentice and Mr. I. R. A. MacCallum are non-executive directors.

★

FIRST DALLAS, the wholly-owned merchant banking subsidiary of First National Bank in Dallas, has appointed Mr. John B. R. Sheldon a director and Mr. James H. T. Meynell an associate director.

★

Mr. Edward L. Wax and Mr. Peter Barnes have been elected to the Board of GEERS GROSS. Mr. Wax and Mr. Barnes are respectively president and executive vice-president of Manoff Geers Gross Inc., the wholly owned U.S. subsidiary of Geers Gross.

★

SPINNEY'S (1948) has made the following appointments: Mr. P. E. Cooper becomes deputy chairman and chief executive. He continues as deputy chief executive of Steel Brothers Holdings. Mr. Roger Barber, managing director, moves to Singapore to take charge of the group's South East Asia operations in early February. Mr. P. J. Taylor is appointed a managing director with responsibility for the group's interests in Oman, United Arab Emirates, Bahrain and Qatar. Mr. T. J. Evans has retired and Mr. R. M. Murison has resigned.

★

Changes in the management of the SWEDISH CLUB—the mutual marine insurance company—have been made. Mr. Per Erik Hedborg, general manager, has retired and has been succeeded by Mr. Lars Lindfelt, the Club's former deputy general manager. Mr. Lindfelt's successor as deputy general manager is Mr. Bertil Ivarson.

★

Dr. Walter Huber has succeeded Dr. Willi Haemmerli as head of the ALUSUISSE GROUP legal department at the Zurich headquarters of parent company Swiss Aluminium. Mr. Friedrich C. Seifarth has become responsible for group comptrolling within the Alusuisse finance staff.

★

The committee of the INSTITUTE OF LONDON UNDERWRITERS for 1980 is: Mr. R. J. Bromley, Mr. R. V. Clarke, Mr. G. A. Dolby, Mr. D. D. Lowen, Mr. D. M. McMahon, Mr. A. E. Mann, Mr. H. G. Merriman, Mr. A. S. Nunn, Mr. E. D. Rainbow, Mr. A. J. Richardson, Mr. J. D. Russell-Taylor, Mr. D. Town, Mr. H. C. J. Vines, Mr. B. K. Williams and Mr. P. J. Wingett.

CONTRACTS

Land-Rover test cells

A contract worth £4.25m covering the supply, installation and commissioning of 24 engine test cells for Land-Rover has been awarded to FROUDE ENGINEERING. The test cells will form part of an expansion programme aimed at increasing the production of 2.25 litre petrol and diesel engines at the Land-Rover plant, Solihull. The order was placed with Froude, part of the Redman Heenan International Group by Ingersoll Engineering Projects, managing agents for the project.

★

JEAVONS ENGINEERING COMPANY, a member of Pentos Engineering Group, has been awarded a contract for the supply of meter (service) governors worth around £1.9m to British Gas during 1980.

Spain SE prices

1979 High	1979 Low		Jan. 4 Price %
310	200	Banco Bilbao	208
353	204	Banco Central	230
232	199	Banco Exterior	220
286	200	Banco Hispano	220
174	136	Banco Ind. Cat.	137
213	175	Banco Madrid	175
348	203	Banco Santander	250
280	187	Banco Urquijo	187
285	202	Banco Vizcaya	218
261	196	Banco Zaragoza	205
220	100	Dragados	100
99	58	Espanola Zinc	66
67	49	Fecsa	53.2
76	23.5	Gal. Preciados	28
77.5	62.75	Hidrola	59
76	52	Iberduero	57.5
178	110	Petroleos	112
138	73	Petroliber	73
130	115	Sogefisa	115
82	54	Telefonica	64.5
69.7	55	Union Elect.	58.2

COURSES

CONTRACTS AND TENDERS

COMPANY NOTICES

NACIONAL FINANCIERA, S.A.

US$ 100,000,000 Floating Rate Notes 1978/85/1993

In accordance with the terms and conditions of the above mentioned floating rate notes the interest rate applicable for the period beginning January 7th, 1980 and ending July 7th, 1980 has been fixed at 15⅛% per annum.

BANQUE INTERNATIONALE A LUXEMBOURG
Societe Anonyme
as Fiscal Agent

Luxembourg
January 7th, 1980

ITO-YOKADO CO., LTD.

(CDRs)

Referring to the advertisement of June 5th, 1979, the undersigned announces that as from January 16th, 1980, bonus div. cp. no. 9 Ito-Yokado Co., Ltd. will be payable in cash with US$ 25.98 per CDR repr. 5 Dep. shs. of 10 shs; with US$ 259.80 per CDR repr. 50 Dep. shs. of 10 shs; and with US$ 519.60 per CDR repr. 100 Dep. shs. of 10 shs at Kas-Associatie N.V., Spuistraat 172. Amsterdam.

Amsterdam, December 28th, 1979.

AMSTERDAM DEPOSITARY COMPANY N.V.

LEGAL NOTICES

THE COMPANIES ACTS 1948 to 1967
BARTONDENE LIMITED

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company *are required on or before the 1st day of February 1980*, to send their names and addresses and the particulars of their debts or claims, and the names and addresses of their Solicitors if any, to KEITH DAVID GOODMAN, FCA of 3/4 Bentinck Street, London W1A 3BA *the Liquidator of the said Company*, and, if so required by notice in writing from the said Liquidator, are by their Solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default *thereof they will be excluded from the* benefit of any distribution made before such debts are proved.

Dated this 21st day of December, 1979.

K. D. Goodman
Liquidator

THE COMPANIES ACTS 1948 TO 1976
TOPPERS MAN'S SHOP (WEST END) LIMITED

NOTICE IS HEREBY GIVEN, pursuant *to section 293 of the Companies Act* 1948, that a Meeting of the Creditors *of the above-named* Company will be held at the offices of
LEONARD CURTIS & CO.,
situated at
3/4 Bentinck Street,
London, W1A 3BA
on Tuesday, the 8th day of January, 1980, at 12 o'clock midday, for the purposes mentioned in sections 294 and 295 of the said Act.

Dated this 21st day of December, 1979.

By Order of the Board,
S. STEWART, Director.

THE COMPANIES ACTS 1948 to 1967
TRANSGROVE LIMITED

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company are required on or before the 31st day of January 1980, to send their names and addresses and the particulars of their debts or claims, and the names *and addresses of their Solicitors if any*, to MAURICE CHARLES WITHALL, FCA, THORNTON BAKER of *Fairfax House*, Fulwood Place, London, WC1 the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are by their Solicitors, or personally, to come in and prove their said debts or claims *at such time and place as shall be* specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 20th day of December, 1979.

P. Monjack, M. C. Withall
Liquidators

IN THE MATTER OF THE COMPANIES ACT, 1948 and
IN THE MATTER OF A. J. MARDEN & COMPANY LIMITED
(in Creditors' Voluntary Liquidation)

NOTICE IS HEREBY GIVEN pursuant to Section 299 of the Companies Act, 1948 that a GENERAL MEETING of the MEMBERS of the above-named Company will be held at the offices of Floyd, Nash and Co., 113 Bute Street, *Cardiff, on Monday the 11th day of* February, 1980 at 11.00 am to be followed at 11.15 am by a GENERAL MEETING of the CREDITORS for the purpose of receiving an account of the Liquidator's Acts and Dealings and of the conduct of the Winding-Up to *date*.

Dated this 2nd day of January, 1980.

R. E. Floyd
Liquidator

PUBLIC NOTICE

BUCKINGHAMSHIRE COUNTY COUNCIL
BILLS

The *Buckinghamshire County Council* issued on 3rd January, 1980, £6m Bills due 3rd April, 1980. Tenders totalled £55m. The entire issue was made at 15⅝%. There are no other Bills outstanding.

CRICKET: SECOND TEST IN SYDNEY

Gower boosts England's hopes

DAVID GOWER made a timely return to form with an unbeaten 98, which left England with an outside victory chance against Australia at the end of the third day of the second cricket test in Sydney on Sunday.

Gower's splendid performance helped England to make 237 in their second innings. Australia, set to score 216 to win, were 25 without loss at the close.

The match resumes on Tuesday after tomorrow's rest day. Australia lead 1-0 in the three-test series.

England's hopes of levelling the rubber could rest largely on left-arm spinner Derek Underwood's ability to exploit favourable conditions. The damp pitch is expected to start breaking up under the sun in the next two days.

Underwood played a useful part with the bat today when, as a nightwatchman, he made the second highest score of 43.

But Gower was the hero with his innings, which lasted just over three hours, included 13 boundaries, and ended the poor form he has suffered throughout the tour. His previous highest score was 59.

England resumed at 38 for three and started their recovery with a gritty fourth wicket partnership of 48 between Underwood and skipper Mike Brearley.

Brearley was caught at the wicket off Len Pascoe shortly before lunch after batting for nearly two hours for 19, while Underwood's resistance was ended by Geoff Dymock in the first over after the interval.

Gower then joined Derek Randall, who has also struggled to find form, and the pair added 51 for the fifth wicket.

They were beginning to take control when Randall suffered one of the lapses in concentration which has caused his downfall recently. He was caught at the wicket for 25 off Greg Chappell.

Gower then played a dominant role, scoring 65 of the last 81 runs and splitting the field at will with effortless cover drives.

He was missed when he had scored 72, but at that stage he was making an all-out assault to get as many runs as possible before he ran out of partners.

Ian Botham fell without scoring, while Bob Taylor, Graham Dilley and Bob Willis helped Gower lift England to 237 all out.

Chappell relied on his four seam bowlers, and the Australian skipper himself took the important wickets of Randall and Botham, who could have given Gower the most effective support.

Dymock finished with three for 48, Pascoe took three for 76 and Dennis Lillee had two for 63.

Openers Julian Wiener and Rick McCosker scored 25 in the last 30 minutes. Australia resume on Tuesday, needing 191.

Reuter

BBC claims top holiday ratings

MOST VIEWERS watched BBC television on Christmas Eve, Christmas Day and Boxing Day, the BBC Television press office said yesterday. The ratio was 57 per cent BBC, 43 per cent ITV.

The most watched programme was the Queen's Christmas Day broadcast to the Commonwealth, seen by 28m on both channels. Where Eagles Dare, broadcast on BBC1 on Boxing Day, attracted an average audience of 25.5m, the largest audience for a single channel.

NORANDA MINES

Bronfman brothers move in again

BY ROBERT GIBBENS IN MONTREAL

A CONFRONTATION is developing between Noranda Mines, the largest Canadian-controlled resource group after Canadian Pacific, and the Toronto holding company, Brascan, now controlled by the brothers Peter and Edward Bronfman in alliance with the Patino mining family.

The Bronfman brothers, cousins of the Samuel Bronfman heirs who own the world's largest distillers, the Seagram Company, last year won control of Brascan after its management had failed to succeed in a bid for the F. W. Woolworth merchandising chain.

The prize was not only a bag of brewing, financial, food production and resource interests in Canada plus financial and hotel interests in Latin America, but also around C$400m (U.S.$343m) cash which Brascan had received early in 1979 in compensation for nationalisation of its electric power utility in Brazil.

This autumn, Brascan began buying blocks of Noranda shares, a major block from the Argus Corporation holding company of Toronto, controlled by the Conrad Black interests. The Bronfman brothers said they aimed at a total holding of about 20 per cent and claimed two seats on the Noranda Mines board.

However, this weekend the Noranda management, headed by Mr. Alfred Powis, rejected the demand of the Brascan group for two boardroom seats, and also several other demands which it described as a "package."

Altogether Brascan had bought over 14m Noranda shares by late autumn, raising its holding to over 16 per cent, and rivalling the combined voting power of Noranda management and its associate companies such as Kerr Addison Mines, Placer Development and others.

Noranda's reply was to arrange a new financing deal with its associates, and also to form a new holding company, Zinor Holdings, which now holds 23.6 per cent of Noranda and is itself controlled by the Noranda associates.

One effect of the restructuring was to shift liquidity from the associate mining companies into the Noranda treasury and reduce heavy short-term debt, but it also reduced Brascan's equity stake in Noranda to about 14 per cent because Noranda treasury shares were issued to Zinor.

The Bronfmans replied through their chief strategist, Mr. J. Trevor Eyton, that the goal of 20 per cent in Noranda still held and that they still wanted two boardroom seats, public distribution of the Zinor-held Noranda shares, and other steps that together would have reopened the way for Brascan to dominate Noranda.

It was this "package" of proposals which was rejected at the weekend. The refusal by the Noranda board even to discuss the package was called "astounding" by Mr. Eyton. Mr. Powis said that the board had made an "exhaustive study" of the Brascan proposals, but could not accept Brascan's stated aim of taking a predominant influence in Noranda's affairs.

Mr. Powis said that there were no boardroom vacancies "nor do we feel that acceding to this demand for representation would improve the performance or interests of the company. There could be a serious loss of dedication and effectiveness . . and an erosion in Noranda's long-standing relationships with customers, suppliers, joint-venture partners, investors, bankers and government regulators."

Noranda has long been criticised as being over-exposed in its heavy short and long-term debt position. This has been improved by the restructuring through Zinor.

Its refusal now pits the Bronfmans and their strategists to tactical "warfare" against the Noranda management and its allies. Brascan committed well over C$200m to build up its Noranda holding. It could retreat gracefully if a significant profit could be shown on the sale of the shares.

However, the persistence of the Bronfman brothers, stiffened at the last moment by one of the chief Patino strategists, paid off in wresting control of Brascan from what had appeared to be a solid management.

Earnings dip at Argus

ARGUS CORPORATION, the big Toronto holding company which controls Massey-Ferguson and other major companies, earned C$7.1m or 67 cents per Class C and Common share in the year ended November 30 against C$10.1m or C$1.02 a year earlier. **Robert Gibbens writes from Montreal.** The decline was partly due to the disposal of the major Argus interest in Domtar, the Montreal-based pulp and paper, building products and chemicals group.

Itel disposal

AUTOMATIC DATA Processing said it will pay about $15m in cash for the Audatex division of Itel Corporation, Reuter reports from Clifton.

Noting that marketing of this service started in 1979, Automatic Data said the operations being acquired had 1979 revenues of about $4.4m.

SIA setback blamed on higher fuel prices

BY GEORGIE LEE IN SINGAPORE

SINGAPORE Airlines (SIA) suffered a severe 75 per cent decline in post-tax profit to S$12m (US$5.6m) in the first eight months of its financial year to March 1980.

This was disclosed by the airline's Chairman, Mr. J. Y. M. Pillay, in his New Year message.

SIA puts the blame for the profit plunge on the sharp increase in fuel prices, the grounding of its DC-10 aircraft and increased debt servicing charges.

Mr. Pillay disclosed that at the beginning of last year the airline was paying 44 U.S. cents per U.S. gallon of fuel. But by the end of the year, the price had leapt by 107 per cent to 91 U.S. cents.

The chairman also said that the DC-10 grounding was a blow to the airline as it affected its fledgling service to the U.S.—its most difficult and risky venture. The higher debt service charges were brought about by the introduction of new aircraft and the airlines expansion and development of new facilities at the new Changi International airport.

SIA reported a capacity increase of 24.1 per cent while load carried rose by 24.5 per cent.

Operating surplus of the airline declined by 71 per cent to S$40m. Cash generation at S$198m was a shade higher than that in the same period of 1978/79. But because its capital expenditure was almost twice as high at S$780m the self-financing ratio fell from 45 per cent to 25 per cent.

New solution for AOIP

By Terry Dodsworth in Paris

AN AMICABLE solution to the problems of AOIP, the troubled French co-operative, appears to have been found following its Board's acceptance of a modified plan for the take-over of a substantial part of its activities by CIT-Alcatel and Thomson-CSF.

A similar plan was put forward last September with the support of the publicly-owned French telephone authority. This was aimed at siphoning off most of the telephone exchange manufacturing activities of AOIP, which had run into difficulties with the decline of orders for traditional equipment and the swing to electronic exchanges.

The worker shareholders in AOIP have rejected this solution because of fears about employment.

After talks with CIT and Thomson, the Board says that most of the co-operative's demands have been met.

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year
Alexanders Discount	Jan. 22	Final 11.501
*Associated Dairies	Jan. 30	Int. due
*Associated Paper	Jan. 17	Int. 2.297
BAT Inds.	Jan. 30	Int. 4.84
*Bank Leumi (UK)	Jan. 30	Final 5.52
Brown (J.)	Jan. 26	Int. 7.0
Butterfield-Harvey	Jan. 11	Int. 1.3
Davy Crpn.	Jan. 23	Int. 2.0
Debenture Corp.	Feb. 8	Final 1.95
Decca	Jan. 30	Int. 3.3
*Dowty	Feb. 6	Int. 2.5
*Eng. China Clays	Jan. 10	Final 2.043
*Fitch Lovell	Jan. 24	Int. 1.3
Guinness Peat	Feb. 2	Int. 2.25
Hardy (Furnishers)	Feb. 2	Int. nil
Hickson and Welch	Jan. 11	Final 2.532
*Hogg Robinson	Jan. 9	Int. 4.03
Imperial Gp.	Feb. 8	Final 4.070
*Inchcape	Jan. 24	Int. 6.5
*Kenning Motor	Jan. 14	Final 2.88
*Lloyds Bank	Feb. 22	Final 5.514
Lonrho	Jan. 31	Final 4.25
*McCorquodale	Jan. 9	Final 10.12
*NatWest	Feb. 26	Final 7.15
*Rank Org.	Jan. 24	Final 4.89
*Rayback	Jan. 18	Int. 1.131
Samuel (H.)	Jan. 8	Int. 0.825
*Sotheby Parke Bernet	Jan. 10	Final 6
*Steed and Simpson	Jan. 8	Int. 0.7
*Stock Conversion	Jan. 16	Int. 1.34
*Tate and Lyle	Jan. 16	Int. 2.5
Thorn Elec.	Jan. 12	Int. 3.6
Throgmorton Trust	Jan. 25	Final 2.875
Trusthouse Forte	Feb. 1	Final 7.78
*Union Discount	Jan. 23	Final 11.282
*Westland Aircraft	Jan. 9	Final 1.0

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Public Works Loan Board rates

Effective from January 5

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	15¼	15¼	15¼	15⅝	15⅜	15⅞
Over 5, up to 10	15¼	15⅜	15¼	15⅝	15⅞	15⅝
Over 10, up to 15	15¼	15	14⅞	15⅝	15½	15⅝
Over 15, up to 25	15	14¾	14¾	15½	15⅝	15⅞
Over 25	14¾	14¾	14¾	15⅞	15¼	15¼

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	14½	½-year	1,000	1
Redbridge (01-478 3020)	14	½-year	200	2-3
Wrekin (0952 505051)	14¾	maturity	5,000	3 mths.

INSURANCE BASE RATES

† Property Growth 15¼%
† Vanbrugh Guaranteed 14.5%
† Address shown under Insurance and Property Table.

BASE LENDING RATES

A.B.N. Bank	17 %
Allied Irish Bank	17 %
Amro Bank	17 %
American Express Bk.	17 %
A P Bank Ltd.	17 %
Henry Ansbacher	17 %
■ Arbuthnot Latham	17 %
Associates Cap. Corp.	17 %
Banco de Bilbao	17 %
Bank of Credit & Cmce.	17 %
Bank of Cyprus	17 %
Bank of N.S.W.	17 %
Banque Belge Ltd.	17 %
Banque du Rhone et de la Tamise S.A.	17½%
Barclays Bank	17 %
Bremar Holdings Ltd.	18 %
Brit. Bank of Mid. East	17 %
■ Brown Shipley	17 %
Canada Perm't Trust	17 %
Cayzer Ltd.	17 %
Cedar Holdings	17 %
■ Charterhouse Japhet	17 %
Choulartons	17 %
C. E. Coates	17 %
Consolidated Credits	17 %
Co-operative Bank	*17 %
Corinthian Secs.	17 %
The Cyprus Popular Bk.	17 %
Duncan Lawrie	17 %
Eagil Trust	17 %
E. T. Trust Limited	17 %
First Nat. Fin. Corp.	18½%
First Nat. Secs. Ltd.	18 %
Robert Fraser	18 %
◻ Antony Gibbs	17 %
Greyhound Guaranty	17 %
Grindlays Bank	‡17 %
■ Guinness Mahon	17 %
■ Hambros Bank	17 %
◻ Hill Samuel	§17 %
C. Hoare & Co.	†17 %
Julian S. Hodge	18 %
Hongkong & Shanghai	17 %
Industrial Bk of Scot.	17½%
Keyser Ullmann	17 %
Knowsley & Co. Ltd.	18½%
Lloyds Bank	17 %
London Mercantile	17 %
Edward Manson & Co.	18 %
Midland Bank	17 %
■ Samuel Montagu	17 %
■ Morgan Grenfell	17 %
National Westminster	17 %
Norwich General Trust	17 %
P. S. Refson & Co.	17 %
Rossminster	17 %
Ryl. Bk. Canada (Ldn.)	17 %
Schlesinger Limited	17 %
E. S. Schwab	17 %
Security Trust Co. Ltd.	18 %
Shenley Trust	19 %
Standard Chartered	17 %
Trade Dev. Bank	17 %
Trustee Savings Bank	17 %
Twentieth Century Bk.	17 %
United Bank of Kuwait	17 %
Whiteaway Laidlaw	17½%
Williams & Glyn's	17 %
Yorkshire Bank	17 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%. 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼% and over £25,000 15½%.
‡ Call deposits over £1,000 15%.
§ Demand deposits 15%.

CURRENCIES, MONEY AND GOLD

All that glisters

BY COLIN MILLHAM

EVENTS IN Afghanistan, following on the back of the crisis between Iran and the U.S., has not only caused severe international tension and the spectre of a return to the Cold War, but sent shock waves throughout financial markets.

Demand for gold became so great last week that bullion markets in Paris and Hong Kong were forced to close for a time. Last Thursday precious metal prices reached unprecedented levels, while central banks stepped in to support the dollar as the rush to turn the U.S. currency into a more tangible asset gathered pace.

The benefits of the 1980 gold rush may prove as illusive as similar events in the past however, leaving many burnt fingers and very few fortunes for those trying a belated jump on the bandwagon.

Since the beginning of January last year the price of gold has more than doubled. The revolution in Iran was largely responsible for it moving through the $250 level in February, but it was not until the U.S. Treasury auction in August that the metal moved decisively above the $300 point, reaching $500 the day after the Christmas holiday.

The metal was offered at $650 in London on Thursday, and platinum has shown a similar rise over the last year or so. Last February it touched a peak of $418, and rose to $840 last Thursday. The Krugerrand was offered at £143½ ($289) when gold reached its February peak, but commanded £294 ($661) last Thursday.

Conditions were rather different on Friday however, underlining the dangers of such a volatile market. The Krugerrand fell to £270-280 ($605-630) and platinum retreated to $750-800. Tension in the Middle East will obviously play a major role in the performance of precious metals during the next few months, while supply and demand will also enter the equation. If the problems of the Soviet invasion of Afghanistan and the U.S. hostages in Iran should be solved the price of gold may decline quite sharply, while the possibility of further auctions by the U.S. Treasury continues to overhang the market. Several million ounces on sale from the U.S. authorities may have an equally depressing influence on the price, but any further outbreak of violence in the world is likely to have the opposite effect.

At the same time it may be worth noting that an ounce of silver bought in 1980 costs about the same as an ounce of gold ten years ago.

GOLD

	January 4		January 3	
Gold Bullion (fine ounce)				
Close	$585-595	(£261-266)	$625-635	(£279-284)
Opening	$605-615	(£270-275)	$620-630	(£277½-281¾)
Morning fixing	$596	(£266.285)	$632	(£281.577)
Afternoon fixing	$588	(£262.770)	$634	(£282.468)
Gold Coins				
Krugerrand	$635-650	(£284-294)	$646-661	(£288-294)
Mapleleaf	$620-635	(£280-290)	$644-659	(£287-293)
New Sovereigns	$155-160	(£68-72)	$164-166	(£73-75)
King Sovs.	$170-180	(£76-81)	$165-175	(£73½-77½)
Victoria Sovs.	$170-180	(£76-81)	$165-175	(£73½-77½)
Fr20 Napoleon	—	—	—	—
50 pesos Mexico	$745-755		$785-795	
100 Cor. Austria	$598-605		$620-630	
$20 Eagles	$720-740		$730-750	
$10 Eagles	—		—	
$5 Eagles	—		—	

OTHER MARKETS

Jan. 4	£	$		£ Note Rates
Argentina Peso	3611-3631	1615-1625	Austria	27.35-37.60
Australia Dollar	2.0140-2.0160	0.9000-0.9005	Belgium	64.15-64.65
Brazil Cruzeiro	94.33-95.33	42.15-42.60	Denmark	11.97-12.04
Finland Markka	8.25-8.26	3.6895-3.6915	France	8.98-9.03
Greek Drachma	84.743-86.759	37.95-38.15	Germany	3.82½-3.85
Hong Kong Dollar	10.966-10.986	4.9220-4.9240	Italy	1770-1885
Iran Rial	n/a	n/a	Japan	530-535
Kuwait Dinar (KD)	0.602-0.612	0.2719-0.2720	Netherlands	4.22½-4.25
Luxembourg Frc.	62.35-62.45	27.88-27.90	Norway	10.98-11.05
Malaysia Dollar	4.8620-4.8730	2.1745-2.1755	Portugal	110-117
New Zealand Dlr.	2.2620-2.2640	1.0105-1.0115	Spain	147¼-155¼
Saudi Arab. Riyal	7.46-7.56	3.3680-3.3690	Switzerland	3.51½-3.54
Singapore Dollar	4.8150-4.8260	2.1560-2.1570	United States	2.2375-2.2445
Sth. African Rand	1.8445-1.8485	0.8265-0.8270	Yugoslavia	47-49

Rate given for Argentina is free rate.

THE DOLLAR SPOT AND FORWARD

Jan. 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2300-2.2410	2.2370-2.2380	0.36-0.26c pm	1.66	1.25-1.15	2.14
Ireland†	2.1500-2.1550	2.1500-2.1530	0.55-0.50c pm	2.93	1.73-1.68 pm	3.17
Canada	1.1691-1.1696	1.1691-1.1694	0.08-0.04c pm	0.61	0.22-0.18	0.68
Nethlnd.	1.8930-1.8990	1.8950-1.8965	0.80-0.70c pm	4.74	2.68-2.53 pm	5.49
Belgium	27.82-27.96	27.88-27.90	4-2½c pm	1.39	3-1 pm	0.29
Denmark	5.3580-5.3640	5.3615-5.3640	1.00-1.50ore dis	−2.80	4.00-4.50dis	−3.17
W. Ger.	1.7105-1.7180	1.7105-1.7115	1.16-1.06pf pm	7.78	2.70-2.60 pm	6.19
Portugal	49.55-49.70	49.55-49.65	15-25c dis	−4.84	45-75 dis	−4.84
Spain	66.07-66.13	66.09-66.13	35-50c dis	−7.71	85-100 dis	−5.60
Italy	802.25-804.30	803.80-804.30	4-6lire dis	−7.46	10½-13 dis	−5.84
Norway	4.9165-4.9245	4.9230-4.9245	0.70-0.20ore pm	1.10	2.50-2.00 pm	1.83
France	4.0125-4.0260	4.0220-4.0240	0.65-0.50c pm	1.71	0.70-0.45 pm	0.57
Sweden	4.1405-4.1460	4.1440-4.1455	0.90-0.70ore pm	2.32	1.25-1.05 pm	1.11
Japan	234.40-237.70	234.45-234.55	1.60-1.40y pm	7.67	3.80-3.60 pm	6.31
Austria	12.32½-12.35	12.34-12.35	4.75-2.75gro pm	3.64	16.00-12.00pm	4.54
Switz.	1.5720-1.5840	1.5770-1.5780	1.30-1.20c pm	9.51	3.30-3.15 pm	8.18

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Jan. 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2300-2.2410	2.2370-2.2380	0.36-0.26c pm	1.66	1.25-1.15 pm	2.14
Canada	2.6080-2.6200	2.6135-2.6145	0.72-0.62c pm	3.07	1.90-1.80 pm	2.83
Nethlnd.	4.21½-4.25½	4.22¾-4.23¾	2-1c pm	4.25	6-5 pm	5.20
Belgium	62.15-62.50	62.35-62.45	17-7c pm	2.30	41-31 pm	2.30
Denmark	11.93½-12.00½	11.98½-11.99½	¼ore pm-1¼ dis	−0.75	2-4 dis	−1.00
Ireland	1.0345-1.0405	1.0390-1.0400	0.07-0.17p dis	−1.38	0.20-0.30dis	−0.96
W. Ger.	3.81½-3.85	3.82½-3.83½	3½-2½pf pm	9.40	8¾-7¾ pm	8.48
Portugal	110.10-111.10	110.80-111.00	15-65c dis	−4.33	40-140 dis	−3.25
Spain	147.35-148.00	147.80-147.90	45-95c dis	−5.68	95-195 dis	−3.92
Italy	1790-1798	1796½-1797½	6-8lire dis	−4.67	15-17 dis	−3.56
Norway	10.95½-11.02½	11.00-11.01	5-3ore pm	4.36	11¾-9¾ pm	3.91
France	8.95½-9.01½	8.99-9.00	3-2c pm	3.33	6¾-5¾ pm	2.78
Sweden	9.23½-9.28½	9.27¾-9.28¾	3½-1½ore pm	3.23	8-6 pm	3.02
Japan	520-535	524-527	4.35-3.90y pm	9.44	11.25-10.85pm	8.43
Austria	27.50-27.65	27.60-27.65	18-8gro pm	5.65	52-42 pm	6.80
Switz.	3.51½-3.55	3.52½-3.53½	3⅞-2⅞c pm	11.47	9¾-8¾ pm	10.48

Belgian rate is for convertible francs. Financial franc 64.40-64.50. Six-month forward dollar 2.23-2.13c pm. 12-month 4.35-4.25c pm.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one month 14.25-14.35 per cent; three months 14.25-14.35 per cent; six months 14.15-14.25 per cent; one year 12.90-13.00 per cent.

Jan. 4	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	16⅞-17⅛	14-14¼	12½-13½	11⅝-11⅞	6½-7½	7⅛-7¼	11⅞-12¼	12-15	—	1⅞-8⅛
7 days' notice	16⅞-17⅛	14⅛-14⅜	12½-13⅛	11⅝-11⅞	5¼-5¾	7 1/16-7 5/16	12¼-12⅝	20-25	14 1/16-14 5/16	5¾-7
Month	17-17¼	15 5/16-15 9/16	13⅝-14	11⅞-12⅛	5½-5⅝	7 11/16-8	13½-13¾	20½-23½	14⅜-14½	7 1/16-8⅛
three months	17-17¼	14 9/16-14 13/16	13⅝-14	11¾-12	5⅜-5½	8 3/16-8⅜	13 15/16-14 3/16	19⅛-19¾	14⅝-14½	7 13/16-8 1/16
six months	16⅞-17⅛	14 7/16-14 9/16	13⅜-13¾	11¼-11½	5⅞-6	8 3/16-8⅜	13 13/16-14 1/16	19-20½	14⅜-14½	8⅜-8 11/16
one year	15⅝-15⅞	13-13¼	12¼-12⅝	10⅜-10⅝	5⅝-5¾	8-8⅛	13⅝-13⅞	18⅛-19½	12 11/16-13 1/16	7⅝-8¼

Long-term Eurodollar two years 12-12¼ per cent; three years 12-12¼ per cent; four years 11⅞-12¼ per cent; five years 11¾-12 per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

LONDON MONEY RATES

Jan 4 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ◆	Eligible Bank Bills ◆	Fine Trade Bills ◆
Overnight	—	4-16⅜	—	—	—	15⅝	9-16	—	—	—
2 days notice	—	—	16⅝-16⅞	—	—	—	—	—	—	—
7 days or 7 days notice	—	16-16¼	17-17⅛	—	17⅜	16¾	16⅛-16⅛	—	—	—
One month	17-16 15/16	16 13/16-16 15/16	16⅞-17	18-17⅜	17⅜	17¼	16⅛-16⅝	16¾	17 1/16-17⅛	17¼
Two months	17-16 15/16	16⅞-17	—	17⅝-17¼	17⅜	—	16⅜-16¼	15⅞	16⅞	17⅛
Three months	17-16 15/16	16 15/16-17 1/16	16⅞-17	17¼-16⅞	17⅜	17⅜	16⅜-16½	15⅞-16 5/16	16⅝	17
Six months	16½-16⅜	16 5/16-16 7/16	16⅜-16⅝	16⅜-16⅛	16⅞	—	—	—	15½	16¼
Nine months	15⅝-15½	15⅝-15¾	—	16⅛-15⅞	16¼	—	—	—	—	—
One year	15¼-15 1/16	16¼-16⅜	16⅝-16¾	16⅜-16⅜	16	—	—	—	—	—
Two years	—	—	16⅝	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice others seven days fixed. * Long-term local authority mortgage rates nominally three years 15⅝-15½ per cent; four years 15⅝-15½ per cent; five years 15⅝-15½ per cent. ◆ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 16⅝-16⅞ per cent; four-month trade bills 16¾ per cent.

Approximate selling rates for one-month Treasury bills 15¾ per cent; two-month 15⅝ per cent; three-month 15 23/32-15 27/32 per cent. Approximate rates for one-month bills 17 per cent; two-month 16⅝ per cent; three-month 16½-16 9/16 per cent; one-month trade bills 17 per cent; two-month 16⅞ per cent and three-month 16¾ per cent.

Finance Houses Base Rates (published for the Finance Houses Association) 17 per cent from January 1, 1980. **Clearing Bank Deposit Rates** for sums at seven days' notice 15 per cent. **Clearing Bank Rates** for lending 17 per cent. *Treasury Bills: Average tender rates of discount 15.8434 per cent.*

CURRENCY RATES

Jan. 4	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.591220	0.646262
U.S. $	12	1.32108	1.44698
Canadian $	14	1.54368	1.69167
Austria Sch.	3¾	16.2889	17.8413
Belgian F.	10½	36.8581	40.3563
Danish K.	11	7.07769	7.75005
D Mark	6	2.26831	2.48041
Guilder	9½	2.50411	2.74131
French Fr.	9½	5.31140	5.81851
Lira	15	1060.83	1161.93
Yen	6¼	313.757	343.151
Norwgn. Kr.	9	6.49707	7.11915
Spanish Pts.	8	87.3128	95.6599
Swedish Kr.	9	5.47389	5.99441
Swiss Fr.	2	2.09061	2.28840

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Gilt & F.I. Tst.	96.2	102.3	+1.1	3.44
Abbey Capital	32.9	35.0	+0.5	5.86
Abbey Income	38.4	41.5	+0.5	8.91
Abbey Inv. Tst. Fund	31.8	34.3	-0.1	6.50
Abbey Gen. Trust	44.1	47.2	+0.5	5.73
Abbey Intl. Bd. Tst.	95.6	100.1	+0.2	4.99
Abbey Am. Gth. Tst.	46.3	49.8	.....	3.57
Equitas Prog. Trust	63.6	68.7	+0.7	6.12

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt & Pref	89.5	94.2	.....	13.38

Allied Hambro Group (a)(g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	68.6	73.4	+0.5	6.54
Brit. Inds. Fund	62.4	66.8	+0.4	6.74
Growth & Income	36.9	39.5xd	+0.3	6.36
Elect. & Ind. Dev.	33.8	36.0	+0.4	5.83
Allied Capital	68.8	73.6	+0.5	5.88
Hambro Fund	105.6	113.0xd	+0.9	6.50
Hambro Acc. Fund	130.3	139.4	+1.4	5.77
Income Funds				
High Yield Fd.	65.0	69.6	.....	10.34
High Income	63.5	67.9	+0.4	8.99
A. H. Eq. Inc.	37.9	40.6	+0.3	8.60
International Funds				
International	26.7	28.6	-0.1	2.81
Pacific Fund	40.9	44.3xd	-1.0	2.83
Secs. Of America	56.0	59.9xd	-0.4	2.34
Specialist Funds				
Smaller Co.'s Fd.	43.3	46.3xd	-0.1	5.08
2nd Smlr. Co's Fd.	52.3	56.0	+0.1	4.82
Recovery Sits.	103.4	110.6	+0.4	7.01
Met. Min. & Cmdty.	51.1	54.7	-0.2	5.39
Overseas Earnings	52.9	56.6xd	+0.7	6.01
Exempt Funds				
Far East Exempt	49.3	51.3	-0.3	3.45
Smaller Co. Exempt	66.8	70.3	-0.1	5.56
U.S.A. Exempt	99.0	103.0	-0.7	3.40

Anderson Unit Trust Managers Ltd.
158, Fenchurch St., EC3M 6AA. 623 9231

Discretionary Unit Fund Managers
22 Blomfield St., EC2M 7AL. 01-638 4485.

Dis. Inc. Dec. 27	176.8	188.5	.....	6.26

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	17.6	19.3	+0.5	6.01
Gt. Winchester O'seas	19.6	21.0	.....	2.52

Emson & Dudley Tst. Mngmnt. Ltd.
20b Albemarle St., W1. 01-493 3217

Emson Dudley Tst.	69.7	74.5	.....	6.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	68.1	71.6	+0.6	5.46

Fidelity International Management Ltd.
62-63, Queen St., London, EC4R 1AD. 01-248 4891

American	23.9	25.2	-0.2	1.0
Fixed Interest	24.0	25.3	+0.1	13.3
Growth & Income	25.1	26.5	+0.5	8.00
Special Sits.	24.7	26.0	+0.4	3.0

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	26.0	28.0	.....	2.40
Accum. Units	31.6	33.9	.....	2.40
J. Finlay High Income	32.0	34.4	.....	9.84
J. Finlay Euro.Fin.	24.0	25.8	.....	9.48
Accum. Units	29.6	31.9	.....	5.48
J. Finlay Fd.In.Tst.	28.3	30.4	.....	5.78
Accum. Units	34.2	36.7	.....	5.78

Prices on Jan. 3. Next dealing Jan. 9.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

American	51.4	54.6	.....	1.94
American Turnaround	51.2	54.8	.....	2.00
Capital Tst.	47.2	50.2	-0.4	5.40
(Accum. Units)	47.2	50.2	-0.4	5.40
Income Tst.	33.4	35.4xd	-0.2	9.01
Int. Growth Fd.	39.8	42.2	-0.2	2.38
(Accum. Units)	42.0	44.6	-0.2	2.38

Friends' Provdt. Unit Trs Mgrs.♥
Pixham End, Dorking. 0306 5055

Friends Prov. Units	44.0	47.0	+0.5	5.43
Do. Accum.	60.5	64.7	+0.7	5.43

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital Jan. 4	103.4	104.9	.....	5.53
Gross Inc. Jan. 4	69.8	70.5xd	-4.6	11.77
High Yield Jan. 4	80.6	82.5	+0.6	10.42

*Unauth. Restricted to charities under Court control.

G.T. Unit Managers Ltd.♥
16 Finsbury Circus, EC2M 7DD 01-628 8131

G.T. Cap. Income	101.4	107.8	-2.1	3.80

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
3S	3M	Treasury 9pc 1980‡‡	98⅞	30.7	9.10	16.20
14M	14N	Treasury 9½pc '80‡‡	97⅞	9.16	9.71	15.71
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
30Ja	30J	FFI 13pc 1981	97¼	2.7	13.37	15.89
20J	20D	Do. 14pc '83	94¾	19.11	14.78	15.88
31M	30S	ICFC 5½pc Deb. '80-82	80¾	30.9	6.95	15.25
31M	30N	Do. 6¼pc Db. '81-84	71½	22.10	8.87	14.88
11Ja	11J	Do. 10½pc Uns. Ln. '86	80½xd	10.12	13.04	15.60
11Ja	11J	Do. 11pc Uns. Ln. '88	80xd	10.12	13.75	14.98
11Ja	11J	Do. 11¾pc Uns. Ln. '90	82xd	10.12	14.32	15.30
30J	31D	Do. 7¼pc A Deb. '89-92	56	19.11	13.17	15.30
31M	30S	Do. 7¼pc A Db. '91-94	56	30.9	13.52	15.20
31M	30S	Do. 9pc 'A' '91-94	67	30.9	14.03	15.20
28F	31A	Do. 8⅞pc Ln. '92-97	64½	16.7	14.64	15.30
—		Do. 12½pc. Uns. Ln. 1992	88½	13.8	14.57	—

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

Dividends Paid		Stock	Price	Last xd	Div. Net	Cvr	Y'ld Gr's	P/E
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb.	Sept.	Com'l Aus. ($A1)	131	8.10	Q18c	3.0	7.0	4.7
May		Com'zbk DM 10&	925	5.77	‡Q26.6%	—	7.7	—
March		C'hgn. Hbk. Kr100	975	13.3	Q12%	—	11.4	—
July	Oct.	Corinthian 10p	30	24.9	†1.05	5.9	5.0	3.5
May		Cred. France F75	£18½	5.77	Q9.87%	—	3.5	—
Jan.	Apr.	Dawes (G. R.)	9	18.10	—	—	—	—
May	Nov.	Deutsche Bank DM50	£65¾	17.5	Q22.12%	—	5.6	—
—		F. C. Finance	58	8.10	2.2	4.9	5.4	5.4
—		First Nat. 10p	10	9.74	—	—	—	0.7
—		Do. Wrrts. 75-83	2¾	—	—	—	—	—
June	Dec.	Gerrard Natnl.	204	22.10	†9.12	—	6.4	—
May	Nov.	Gibbs (A.)	72	24.9	2.2	—	4.4	—
Mar.	Aug.	Gillett Bros. £1	190	30.7	†16.95	—	12.7	—

BANKS & HP—Continued

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

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[illegible]

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O.F.S.

FINANCE

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MINES—Continued

CENTRAL AFRICAN

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Nov. May	Falcon Rh.50c	560	24.9	Q100c	ϕ	12.3
May	Rhod'n Corp. 16½p	46	23.4	0.56	6.5	1.7
—	Roan Cons. K4	250	24.9	Q0.125	ϕ	3.0
Nov. May	Wankie Col. Rh.1	61	22.10	Q9c	1.5	10.2
—	Zam.Cpr.SBD0.24	50	11.74	—	—	—

AUSTRALIAN

TINS

COPPER

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—	Barymin	62	—	—	—	—
—	Burma Mines 17½p	12	575	—	—	—
Aug. Feb.	Cons. Murch. 10c.	365xd	28.12	Q100c	ϕ	15.7
—	Northgate C$1	460	30.9	—	—	—
Jan. July	R.T.Z.	340	5.11	†11.5	3.4	4.8
—	Robert Mines	17	—	—	—	—
—	Sabina Inds. C$1.	36	—	—	—	—
—	Tara Exptn. $1	520	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distributions and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ♯ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♠ Excluding a final dividend declaration.
- ✦ Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

"Recent Issues" and "Rights" Page 22

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only on regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26	......
Bertam	16	......
Bdg'wtr. Est. 50p	345	......
Clover Croft	35	+3
Craig & Rose £1	£101½	......
Dyson (R. A.) A	7	......
Fife Forge	43	−1
Finlay Pkg. 5p	19	......
Graig Ship. £1	825	+25
Higsons Brew	78	+3
Holt (Jos) 25p	255	+5
I.O.M. Stm. £1	160	+5
Pearce (C. H.)	355	......
Peel Mills	29	......
Sheff. Refrshmt	98	......
Sindall (Wm.)	165	......

IRISH

Conv. 9% '80/82	£85⅞	......
Nat. 9¾% 84/89	£69xd	......
Fin. 13% 97/02	£82⅛	......
Alliance Gas	66	......
Arnott	340	......
Carroll (P.J.)	51xd	......
Clondalkin	83	......
Concrete Prods.	88	......
Heiton (Hldgs.)	32	−2
Ins. Corp.	200	......
Irish Ropes	72½xd	......
Jacob	33	......
T.M.G.	135	+3
Unidare	80	......

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3-month Call Rates

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Beecham	13
Blue Circle	25
Boots	17
Bowaters	16
B.A.T.	25
Brown (J.)	7½
Burton 'A'	25
Cadburys	5½
Courtaulds	8
Debenhams	8
Distillers	21
Dunlop	6
Eagle Star	14
E.M.I.	12
Gen. Accident	21
Gen. Electric	35
Glaxo	40
Grand Met	13
G.U.S. 'A'	30
Guardian	23
G.K.N.	22
Hawker Sidd	16
House of Fraser	14
I.C.I.	20
"Imps"	8
I.C.L.	45
Inveresk	5
KCA	3½
Ladbroke	17
Legal & Gen.	14
Lex Service	11
Lloyds Bank	24
"Lofs"	3½
London Brick	6
Lonrho	6
Lucas Inds.	20
"Mams"	15
Mrks. & Spncr	10
Midland Bank	30
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Plessey	10
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Sears	5½
Spillers	4½
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Thorn	35
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Woolworths	6½

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Rio T. Zinc	25

FINANCIAL TIMES

Monday January 7 1980

Top level bid to end major EEC crises

BY JOHN WYLES IN BRUSSELS

A SERIES of top level meetings in Rome and other EEC capitals this week will mark the start of an attempt to defuse the two major crises which threaten serious disruption of the Community's affairs.

The immediate focus of diplomatic activity will be Rome, because Italy will be occupying the EEC presidency for the next six months. Sir Ian Gilmour, Britain's Lord Privy Seal, will meet today Sig. Francesco Cossiga, Italy's Prime Minister and the ex-officio President of the Community, at the start of an important British initiative aimed at clearing the way for a settlement of the UK's battle to slash its expected £1.2bn net contribution to the EEC budget this year.

This issue, and the Community's second crucial problem, the inability of the European parliament and member Governments to agree at the end of last year on the EEC's 1980 budget, will be further explored in talks on Friday between Sig. Cossiga and Mr. Roy Jenkins, president of the European Commission.

Sir Ian in particular wants the presidency to aim for an EEC Heads of Government (European Council) meeting at the end of February, instead of in late March, as is formally scheduled. He will indicate a greater willingness to compromise than was evident at the European council in Dublin, providing Britain's partners are ready to boost Community spending in Britain.

Paul Betts adds from Rome: Sig Cossiga, as the president of the Community, has been given a broad mandate by other EEC member states to negotiate a compromise to settle the British dispute and the Community institutional crisis.

Italian officials are relatively optimistic about a settlement. But they stress that any solution must be based both on serious efforts to rationalise the Common Agricultural Policy, and on the European Parliament being allowed to make more funds available for the EEC's social and regional policies.

Sig. Cossiga's Government is expected to make a broad policy statement before the European Parliament on January 16. It has already started consultations with Community partners and officials.

The Italian Premier will be discussing EEC-U.S. business during his official visit in Washington at the end of this month. He is also due to have talks with Mrs. Margaret Thatcher in London at about the same time.

Intensive Treasury work may lead to March Budget

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

INTENSIVE work is under way within the Treasury and Whitehall on a series of major economic announcements in two months' time, probably leading to a Budget speech in late-March.

No decision has been taken but Sir Geoffrey Howe, the Chancellor, is believed to favour an early Budget. The most likely date is Tuesday, March 25. The main alternatives are March 18 or April 15.

The Budget will be preceded by the publication earlier in March of a public spending White Paper incorporating the revised plans for 1980-81 and those for the years to 1983-84 and of the cash limits and estimates for central Government.

At about the same time the Government will decide whether to introduce a medium-term financial plan setting out monetary targets for several years. This proposal has been pushed aside for the moment because of immediate financial pressures.

The likely timetable allows time for the re-examination of 1980-81 spending plans, and in particular for the attempt to reduce the UK's net contribution to the European Economic Community Budget. Ministers also hope to have a clearer picture by March of the pay round and hence of inflation prospects.

In her television interview yesterday, Mrs. Margaret Thatcher confirmed that the spending review would be larger than generally assumed before Christmas. She said she would be pleased to achieve a £2bn cut for 1980-81.

This is a target and includes the savings which the Government hopes to obtain on the EEC Budget. The objective for other programmes is likely to be something over £1bn, in addition to the already announced £3.5bn reduction below the levels for 1980-81 proposed by Labour a year ago.

The Prime Minister confirmed that items under close scrutiny include housing subsidies and investment, and the annual indexation of unemployment benefit.

Employers 'must use technology'

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE PRIME Minister will join leaders of both sides of industry on Wednesday to urge companies to take the lead in applying technological developments so that productivity can be increased and new jobs created.

At a meeting of the National Economic Development Council, the CBI will stress that employers must take the initiative in boosting productivity and coping with the employment and social effects of technological change.

The meeting will be the first attended by Mrs. Thatcher since she became Prime Minister and takes place at a time the Government is trying to start wide-ranging dialogue in the council on the country's economic and industrial problems.

The TUC will call for a national framework to be struck by the Government and both sides of industry on labour agreements for technological change, and will also ask for increased financial aid to micro-electronics developments — including the controversial INMOS microchip venture.

Both the CBI and the TUC, as well as Mr. Jim Prior, Employment Secretary, will stress the need for the Government and individual companies to adopt policies that will enable rapid change to take place.

The paper submitted to the council by the CBI is a summary of a report entitled "Jobs—facing the future," to be published later this month. It deals with how companies should deal with employment and social problems created by technological change.

It says productivity can be improve dif companies motivate employees through communication and consultation as well as through wage packets. Realistic manning levels should be achieved and training improved.

Manpower strategies should be prepared on recruitment, training, job security, re-employment and redundancies.

Bankers consider gold sale plan

BY DAVID MARSH

CENTRAL BANKERS from the major industrialised countries meeting in Basle today are expected to discuss the possibility of concerted gold sales to cool speculative fever on the bullion market.

But although Switzerland and the Netherlands are thought to favour limited sales—an idea suggested by the U.S. at last October's International Monetary Fund meeting—a clear majority in the central banks group opposes the idea. The group of ten and Switzerland together own over 80 per cent of the world's monetary gold.

Opposition to concerted sales stems mainly from the belief among central bankers that not enough is known about the strength of present demand, or whether the increased demand for gold reflects a need by oil exporting countries to diversify reserves.

The West German Bundesbank—the second largest gold holder in the West after the U.S.—feels that the gold market should be allowed to ride out the present speculative excesses alone. If the price continued to rise in spite of concerted official sales, central banks would be left with substantial losses.

France, the European country which has traditionally attached the most monetary importance to gold, is also thought to be opposed to gold sales.

Some central banks, however, argue that unless action is taken to curb gold's price volatility, its significance as a stable element in the monetary system will diminish.

Last Thursday the $60 jump in the gold price was the main factor behind the dollar's first ever fall below DM 1.70.

Generally, however, the dollar is thought to have stood up to pressure fairly well recently — partly because of the improvement in the U.S. balance of payments and the move into deficit by West Germany and Japan.

Intervention by the major central banks to support the dollar last Wednesday and Thursday is understood to have totalled not more than $500m

Lombard Page 12

Bowring in bitter row over Marsh bid

BY JOHN MOORE

A BITTER ROW has broken out between top executives of C. T. Bowring and Company, the British insurance broker with large Lloyd's of London interests, and Marsh and McLennan Companies Incorporated of the U.S., the world's largest insurance broker, which is considering making a bid for Bowring.

The seriousness of the row is revealed in a letter from Mr. Peter Bowring, chairman of C. T. Bowring, to Mr. John Regan, chairman of Marsh. The letter, marked "personal, private and confidential," was sent to the American group immediately after Marsh announced it was considering a bid in the middle of last month.

The letter has been used as an exhibit by Marsh and McLennan as part of its attempt to resist court proceedings instituted by C. T. Bowring in the U.S. to stop Marsh from using confidential information supplied during earlier talks about a pooling of their respective insurance interests in furtherance of a bid.

Mr. Bowring says in the letter: "Any offer made to the shareholders of C. T. Bowring and Co. Limited, by whatever means and on whatever terms, with a view to acquiring all the issued share capital of the company would be considered by me and my board as an unfriendly act.

"We are unanimous in our determination to resist any such offer by every means available to us, and this cannot exclude obtaining support in the City of London and elsewhere from whatever institutional bodies are sympathetic to our very strongly held views.

"I must remind you that on more than one occasion in the past you have assured me that action such as you are now suggesting would never be considered by you. In these circumstances, that you should now suggest approaching shareholders with a view to acquiring all the shares in C. T. Bowring is interpreted by us as a breach of faith which is positively detrimental to the relationship that has existed between our two companies for the past 70 years, a relationship that, as you stated as often as we have, should be preserved in the interests of both companies on terms that are mutually acceptable.

"To say that your undertaking no longer holds in view of changed circumstances is frankly nonsense," says Mr. Bowring.

"I cannot forbear to mention again the extremely damaging effect that prolonged and fruitless negotiations"—a reference to the 18-month-old talks for a pooling arrangement—"have had on morale and business generally throughout our company, and it is not in your interests or ours, as I am sure you will agree, that this intolerable situation should be allowed to continue. Your unilateral announcement"—about the possible bid—"has served only to exacerbate this situation and to crystallise ill-feeling."

Although Bowring's initial court action in the U.S. suffered a setback last Friday when the judge refused to grant Bowring's application for an order directing Marsh to give 30 days notice before filing any document with the Securities and Exchange Commission or taking any steps in furtherance of its proposed takeover of Bowring, the UK group is persisting with legal action to stave off the Marsh advances.

Mr. Gilbert Cooke, managing director of Bowring, which also owns the Bowmaker credit group and Singer and Friedlander, the merchant bank, said yesterday that the group may make a statement this week.

FT SURVEY OF BUSINESS OPINION

Steel outlook hits confidence

BY DAVID MARSH

A GLOOMY picture for the British economy of weakening business confidence, depressed order levels and accelerating inflation is presented by the latest FT Survey of Business Opinion, published today.

Confidence about general economic prospects fell again last month after the slight recovery in November, taking the overall index of business optimism to its lowest level for over three years. All three of over three years. All three of the industries surveyed—engineering, paper and related sectors and brewing and distilling—were concerned about the high level of interest rates.

The engineering industry was particularly gloomy about the poor steel outlook, especially in view of the steel strike which was already casting its shadow last month.

There was a sharp increase in the level of expected price rises over the next 12 months—up to just over 15 per cent from just under 14 per cent in November. Wage rises over the next year were generally expected to be about 17 per cent.

The indices measuring expectations for new orders and order books both fell to the lowest for more than three years. The engineering industry was reported to be particularly affected by weaker industrial confidence and falling investment.

Among the few bright spots, companies were slightly more optimistic about the prospects for taking on more labour. The export outlook was also judged to be slightly better, although there was continuing concern about the effect of the rising pound on competitiveness.

The industries questioned said they would on the whole stand up to demands for wage increases above planned levels. But there was slightly more willingness to consider demands for a shorter working week—especially if linked to productivity deals.

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Rig shortage may delay exploration

BY RAY DAFTER, ENERGY EDITOR

HIGHER energy prices are expected to stimulate a significant increase in North Sea oil and gas exploration work this year. However, the industry might be held back because of a shortage of drilling rigs.

Over the past few weeks between 35 and 40 rigs have been operated on the North-West Europe Continental Shelf, mostly in the UK and Norwegian sectors. This compares with about 30 which were being used a year ago.

Drilling activity is expected to increase still further as the weather improves, for there is general agreement in the industry that there is now more incentive for companies to search for new oil and gas reserves and to reappraise existing discoveries.

But these incentives—higher prices and greater governmental encouragement arising from the uncertainty of worldwide oil supplies — also apply in other parts of the world. Consequently, North Sea companies will have to compete for rigs against industries in the U.S., Canada, Brazil, the China Sea, Indonesia, Egypt, and the Mediterranean, all of which are stepping up their own exploration programmes.

North Sea oil producers remain among the few who have yet to set new price levels for January. But it now seems almost certain that the average price will be about $30 a barrel. This follows Nigeria's apparent decision to raise its oil price from about $27 a barrel to $30. Mr. Festus Marinho, the managing director of the Nigerian National Petroleum Corporation, has denied earlier Lagos Radio reports that the country's oil would cost over $34 a barrel.

The leading UK producers and sellers of crude oil—British National Oil Corporation, British Petroleum and Shell—have already met with Mr. David Howell, Energy Secretary, to discuss pricing tactics.

It is understood they agreed that if Nigeria fixed and confirmed a price of $30 a barrel, North Sea producers would do likewise. Traditionally, UK and Norwegian producers have used African crudes — particularly Nigerian oil—as a pricing reference. If, on the other hand, Nigeria did charge about $34 a barrel, UK producers would probably seek a price of nearly $33 a barrel. One option considered by the leading oil companies was a reference price of about $30 a barrel with a temporary surcharge which could be reviewed and adjusted each month, in response to worldwide oil market conditions.

Mr. Howell—who is now touring oil producers in the Gulf—has put forward these pricing suggestions to the Prime Minister and some of her senior Cabinet colleagues. It is expected that BNOC will receive Government approval for a $30 a barrel price within the next few days, backdated to January 1.

These higher prices are making North Sea oil exploration much more commercially attractive, as confirmed by a survey of six oil analysts conducted by the Financial Times North Sea Letter.

It was pointed out that before the Iranian crisis the industry would have considered a field with less than 100m barrels of recoverable reserves too small to develop commercially. Now the threshold is thought to be nearer 50m barrels.

Western groups may get refining stake, Page 2

Weather

UK TODAY

BRIGHT, cloudy, mostly dry. Near normal temperatures.

London, S.E. England, Midlands, N. Wales

Patchy fog, then bright becoming cloudy. Max. 7C (45F).

E. Anglia, E., N.E. England, Borders, E. Scotland

Cloudy, scattered showers. Max. 6C (43F).

C., S., S.W. England, Channel Is., S. Wales

Rain at times. Wind easterly. Max. 8C (46F).

N.W., C., N. England, W. Scotland, Lakes Is. of Man, N. Ireland

Fog then dry. Sunny intervals. Light wind. Max. 7C (45F).

Rest of Scotland

Mostly dry, sunny intervals. Rather cold. Max. 4C (39F).

Outlook: Dry, sunny intervals, overnight frost.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	13	55	Lisbon	Fg	9	48
Algiers	F	16	61	Locarno	S	0	32
Amsdm.	C	7	45	London	C	8	46
Bahrain	C	20	68	Luxmbg.	C	3	37
Barclna.	F	10	50	Madrid	C	2	36
Beirut	C	13	55	Majorca	S	13	55
Belfast	C	6	43	Malaga	S	16	61
Belgrd.	C	0	32	Malta	S	14	57
Berlin	C	0	32	M'chstr	C	7	45
Biarritz	C	10	50	Melbne.	S	19	66
Bmghm.	C	7	45	Milan	C	0	32
Blackpl.	C	7	45	Mntreal.	C	−8	17
Bordx.	C	10	50	Moscow	S	−8	17
Boulgn.	C	7	45	Munich	Sn	1	34
Bristol	C	7	45	Nairobi	S	24	75
Brussels	C	6	43	Naples	C	9	48
Budpst.	C	−5	23	Nwcstl.	R	6	43
B. Aires	S	26	79	N. York	S	5	23
Cairo	S	16	61	Nice	S	13	55
Cardiff	C	7	45	Oporto	F	11	52
Cas'b'ca	S	15	59	Oslo	Sn	−3	27
Cape T.	S	23	73	Paris	C	7	45
Chicago	C	−2	28	Perth	S	33	91
Cologne	R	5	41	Prague	C	−2	28
Cpnhgn.	Sn	−1	30	Reykjvk.	C	2	36
Corfu	C	8	46	Rhodes	S	11	52
Dublin	F	6	43	Rio J'o	S	28	82
Dbrvnk.	R	7	45	Rome	F	5	41
Ednbgh.	C	7	45	Salzbrg.	C	2	36
Faro	S	16	61	Singapr.	R	25	77
Frankft.	R	4	39	Stckhm.	Sn	−3	27
Funchal	R	16	61	Strasbg.	R	5	41
Geneva	C	5	41	Sydney	C	26	79
Gibrltr.	S	16	61	Tangier	S	16	61
Glasgow	F	8	46	Tehran	C	2	36
G'rnsey	C	8	46	Tel Aviv	F	14	57
Helsinki	Sn	−4	25	Tokyo	S	8	46
H. Kong	S	20	68	Toronto	C	−1	30
Innsbrk.	F	3	39	Tunis	C	12	54
Invrnss.	C	6	43	Valencia	S	13	55
Istanbul	S	5	41	Venice	S	5	41
Jersey	C	8	46	Vienna	C	−6	21
Jo'burg	S	26	79	Warsaw	S	−5	23
L. Plms.	S	18	64	Zurich	C	3	37

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

THE LEX COLUMN

The bankers and the brokers

The boundary line between stockbroking and merchant banking has always been a hazy and shifting one in the City of London. Now the securities markets are faced with a period of quite rapid structural change as various participants seek to adapt to the abolition of exchange controls.

Two foreign currency bond issues before Christmas highlighted the jostling for position that is now going on. Morgan Grenfell's DM 100m issue for the European Investment Bank was aimed at the UK institutions, and it was agreed that the brokers would have the sole right to contact unconnected buyers — the banks involved would only place bonds with funds under their management. When it came to the Kleinwort Benson-led issue of EIB dollar bonds, however, it was apparent that the banks were becoming frustrated with customs and practices established in different conditions. The brokers were only given a four-hour start before the banks joined in the hunt for institutional takers.

New issues

In any case, the merchant banks have been steadily increasing their influence even in the sterling new issue market. Some years ago it was not at all uncommon for stockbrokers to bring companies to the market, or to handle rights issues — the last major case being the sponsoring by Hoare Govett of the Lloyds Bank rights issue. But that issue raised a few eyebrows, and it has become clear that merchant banks believe they should have the lead management role in all significant issues — even though they may still need to rely heavily on stockbrokers' advice.

One important reason why the banks are in a position to enforce this claim to leadership is that they have become very important investment clients of brokers through the growth of discretionary funds under management. Pension funds have recently been a source of especially rapid growth. Precisely how much money is under the control of the merchant banks is not clear, but the Wilson Committee was told that the accepting houses alone managed portfolios running to £7.5bn in 1976, a figure which must now be substantially larger.

Discretionary

Merchant banks will tend to direct this discretionary business towards the broking firms which give them the services they want — essentially in research and dealing. They will tend to cold shoulder brokers which seek to operate in competition rather than partnership with them in areas like corporate finance.

They also take a dim view of stockbrokers which have expanded in the area of fund management.

So Phillips and Drew, for example, a firm which currently has around £650m under continuous discretionary or advisory management, and which has partial control over another £700m of local authority pension fund investments, does very little business with merchant banks. Increasingly, too, insurance companies — which are also in business as pension fund investment managers—are becoming choosy. Stockbrokers face a penalty when they try to compete with their clients.

The City is characterised by a number of conflicts of interest of this kind. The merchant banks themselves are riding two horses at once when they float new issues and at the same time manage client funds with which part of the issues are placed. There is nothing very new about such conflicts, although they are bound to acquire a certain topicality with the approach of the examination of the Stock Exchange in the Restrictive Practices Court.

Attention has tended to be focused on the question of whether the jobbers as well as the brokers should have access to institutional clients, and the associated question of the doom this would spell for the Stock Exchange's fixed commission structure. Now some of the banks appear to be posing a new challenge: that in new issues they should be able to shut the brokers out of what, because of the growth of pension funds, has become a very large proportion of the primary market.

When there were very large numbers of individual investors the banks needed the marketing capacity of the brokers. Now, with buying power much more concentrated, and a good deal of it under the control of the merchant banks themselves, the bankers evidently feel they do not need the assistance of the brokers in tapping the institutional demand for new issues.

A number of other banks are now busy hatching plans for foreign currency loans with the idea of persuading UK institutions to diversify their bond portfolios which at present are excessively dominated by holdings of gilt-edged. It will be fascinating to see how quickly the system evolves.

Independent force

There is nothing sacred about the role of the brokers, or any other participants, in a changing capital market. Yet the brokers have represented a layer of independence within the system. It would be a pity if the attempt by the merchant banks to restrict the scope for the brokers in new issues were to mean the development of an increasingly closed system in which the business would not be done by those operators which offered the best service but by those which controlled the biggest client funds.

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